REPORT RESUMES

ED 010 316 24
COMPARATIVE ECONOMIC SYSTEMS, A BOOK OF READINGS FOR INDUCTIVE TEACHING.
CARNEGIE INST. OF TECH., PITTSBURGH, PA.
REPORT NUMBER CRP-HS-041-A PUB DATE 64
PITTSBURGH PUBLIC SCHOOLS, PA.
REPORT NUMBER BR-5-0655-A
EDRS PRICE MF-$0.54 HC-$16.24 406P.

DESCRIPTORS- *COURSE ORGANIZATION, *ABLE STUDENTS, *MONEY SYSTEMS, *SOCIAL STUDIES UNITS, SECONDARY EDUCATION, *GRADE 9, READING MATERIALS, TEACHING TECHNIQUES, PITTSBURGH, PENNSYLVANIA

THIS COURSE WAS DEVELOPED AS PART OF AN INTEGRATED AND SEQUENTIAL HIGH SCHOOL SOCIAL STUDIES CURRICULUM FOR ABLE STUDENTS (UPPER 25 PERCENT). THE COURSE CONSISTS OF 12 UNITS OF STUDY, EACH UNIT CONTAINING A BRIEF STATEMENT OF AN ECONOMIC ISSUE AND SEVERAL READINGS ON THAT ISSUE. THE ISSUES COVERED WERE (1) MAKING ECONOMIC CHOICES (THE ROLE OF VALUES), (2) THE TRADITIONAL ECONOMY, (3) ECONOMIC DECISIONS IN THE MARKET ECONOMY, (4) PRICING IN A MARKET ECONOMY, (5) KEEPING COMPETITION ALIVE, (6) THE COMMAND ECONOMY, (7) FACTORS OF PRODUCTION, (8) DISTRIBUTION IN THE MARKET ECONOMY, (9) INEQUALITIES AND INEQUITIES, (10) RESTRAINTS ON THE MARKET MECHANISM, (11) DISTRIBUTION IN THE COMMAND ECONOMY, AND (12) MACROECONOMICS. THE COURSE DIFFERS FROM THE USUAL CIVICS COURSE IN (1) SUBJECT COVERAGE, (2) FREQUENCY OF CLASS MEETINGS, (3) TYPE OF READING MATERIAL, (4) SUPPLEMENTARY ACTIVITIES, (5) USE OF NEW TECHNOLOGY, (6) APPROACH TO TEACHING, AND (7) EXAMINATIONS, PAPERS, AND GRADES. THE COURSE IS DESIGNED TO FOLLOW "COMPARATIVE POLITICAL SYSTEMS" (ED 010 317), THE FIRST COURSE IN THE DEVELOPMENT OF A 4-YEAR SEQUENCE. A TEACHER'S MANUAL IS INCLUDED. (RS)

ED010316

5-0655-a
(HS-041)

COMPARATIVE ECONOMIC SYSTEMS

Student Readings & Teacher's Manual

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COMPARATIVE ECONOMIC SYSTEMS,

A BOOK OF READINGS FOR INDUCTIVE TEACHING

COMPILED BY THE

CURRICULUM DEVELOPMENT CENTER
PROJECT SOCIAL STUDIES

THE CARNEGIE INSTITUTE OF TECHNOLOGY

AND

THE PITTSBURGH PUBLIC SCHOOLS

The curriculum materials in this volume were developed in a Center supported through the Cooperative Research Program of the Office of Education, U.S. Department of Health, Education, and Welfare.

COMPARATIVE ECONOMIC SYSTEMS

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COMPARATIVE ECONOMIC SYSTEMS

A Note to the Public Domain Edition

This one-semester course in Comparative Economic Systems was developed at the Social Studies Curriculum Development Center at Carnegie Institute of Technology under a grant from the Department of Health, Education, and Welfare. Intended for the second semester of ninth grade, it is part of an integrated and sequential four-year high school curriculum for able students, the top quarter of a typical high school class.

These materials and the teaching strategies which are developed in the accompanying Teacher's Manual were originally compiled during the fall of 1963 and tried in five high schools during the spring semester. They were completely rewritten during the summer and fall of 1964 and tried again beginning in February, 1965. This second trial revealed a number of shortcomings which we have not been able to correct because we have no funds to finance a third version. This Note explains briefly what we believe to be the major faults of the material. A similar analysis will accompany each of the courses we release.

The Department of Health, Education, and Welfare has decided to release materials developed under its auspices into the public domain. This policy in no sense indicates endorsement from HEW. Officials there have examined our work only to determine whether or not we have met the terms of our contract. Permission to release implies only performance; it does not imply either approval or disapproval by HEW of the subject emphases or teaching strategies developed.

Legally all the material developed in the Center under this contract now becomes public property. It may be reproduced in any form by anyone for any use but it cannot be copyrighted. The reader will notice, however, that a large number of articles used in the course have not been included in this version. These articles were originally published elsewhere and were adopted, sometimes in edited form, with permission of the author or publisher for use only in an experimental edition. The original copyright taken out by the authors and editors remains in force. We cannot give permission to reproduce this material nor can we reproduce it ourselves for the Public Domain version. In order to make this version as useful as possible for teachers and curriculum experts, we have indicated briefly the content of each copyrighted article and we have given full bibliographic references so that others may read the material in full.

The purpose of an experimental program is to discover the weaknesses of new instructional materials as well as to find their strengths. On the whole, the Social Studies Curriculum Development Center at Carnegie Institute of Technology has found Comparative Economic Systems to be superior to existing "civics" programs. Test results have shown that the students who have taken the course as well as the one-semester course in Comparative Political Systems have scored as high on standard Civics test as a matched group of students who took a traditional Civics course. At the same time, the students in the experimental program seem to have mastered the mode of inquiry skills which are an additional objective of the program.

This report is not intended to dwell upon the successes of Comparative Economic Systems, however, but to summarize the deficiencies that the staff of the Social Studies Curriculum Center has found in the materials produced for the course. A similar brief analysis in the Teacher's Manual summarizes its weaknesses.

The process of teaching the course indicated two major weaknesses in the text of Comparative Economic Systems:

1. Insufficient space was allowed for an adequate coverage of macroeconomics;
2. The planning game is too complicated in its present form, although students welcomed the change of pace.

We have found the vocabulary of several of the readings too difficult for even able ninth graders. In addition, the questions that follow the introductions are too often ambiguous and too frequently demand recall rather than thought in forming answers. Quite often these questions merely ask for a restatement of the information contained in the reading rather than an analysis of the material or a judgment about it. We find this deficiency particularly acute since one of the objectives of our program is to develop the cognitive skills of the students who take it. We hope that students will learn to read critically and analytically as a result of having taken Comparative Economic Systems, but the questions we have asked have too often failed to encourage this result.

We hope that this public domain version of our work proves fruitful to teachers everywhere. We will welcome comments derived from your experiences with it. We hope that a number of teachers, writers and publishers will develop their own versions of this course for commercial sale. Only through commercial production can these materials make their way into classrooms across the nation.

COMPARATIVE ECONOMIC SYSTEMS

AN EXPLANATION OF THE COURSE FOR PARENTS AND STUDENTS

This one-semester course in Comparative Economic Systems marks the second step in the development of a new four-year sequence of courses for able students in the social studies. It follows a course entitled Comparative Political Systems. Written cooperatively by teams of teachers from the Pittsburgh Public Schools and professors from Pittsburgh colleges, these courses were first tried out and revised during the 1963-64 academic year in five Pittsburgh high schools. During subsequent years of the project, students are using the revised materials and participating in a testing program designed to compare the new courses with conventional civics.

Teacher-scholars from the universities and the public schools have long been concerned with the quality of much of the material published for use in high school social studies courses. Reform of the curriculum in mathematics, the sciences, foreign languages and English has been taking place at an increasingly rapid rate during the last ten years. In the fall of 1962 the Cooperative Research Branch of the United States Department of Health, Education, and Welfare announced that money had been made available by the Congress to establish Curriculum Development Centers for the Social Studies.

A grant of $250,000 to Carnegie Institute of Technology from the Department of Health, Education, and Welfare supports the entire four-year project. The Pittsburgh Public Schools and Carnegie Tech are partners. One of the two co-directors, Mr. John Good, is a full-time Pittsburgh teacher who has been loaned to the project for a four-year period. His co-director from Tech, similarly on loan to the project, is Professor Edwin Fenton.

This course differs from the usual civics course taught to ninth graders in the social studies in a number of ways:

1. Subject coverage: Although the subjects to be covered in this ninth grade course--government and economics--are also studied in civics, the emphasis will be different. We will study governments and economic systems other than our own to a much greater degree than is usual, and we will omit some material--such as the study of career opportunities--which is often covered in civics courses.

2. Class meetings: Formal classes will meet only four days a week. On the fifth day students will come to their classroom where they will read, study, or work on projects while their teacher meets with committees working on projects or gives individual help to students.

3. Type of required reading material: Instead of a conventional textbook, this course will use as its major reading material about sixty readings each designed for one day's lesson and written especially for this course. Most readings contain an introduction to place the article assigned for that day in its proper setting in the course, a few study questions as a guide to students, and a short article. About half the articles have been written especially for this project. The other half have been excerpted and edited from material which has already been published. Lessons based on this material should take about thirty minutes for the student to prepare before coming to class.

4. **Supplementary activities:** Students are expected to spend about one hour a week on supplementary work. They will be given class time on Friday, so that the supplementary reading done outside of class should never require more than fifteen to thirty minutes each week.

5. **Use of new technology:** The complete course includes material to be used with the overhead projector, and a number of tapes for the tape recorder. A few films and a little programmed material will be used.

6. **Approach to teaching:** On the whole, the course will be taught inductively. Students will be expected to come to their own conclusions from the material presented and they will be required to fit material from successive lessons together. They will have frequent opportunities to study the techniques of social scientists through the readings, many of which have been specifically designed to emphasize method. This entire approach to learning is based on well-founded psychological principles supported by a growing body of research data.

7. **Examinations and papers:** Students will be given short examinations periodically We will usually alternate essay exams and objective exams. Exams will last about twenty minutes each.

8. **Grades:** Grades will be based upon examinations, papers, class recitation, oral reports, and the paragraphs submitted about supplementary reading. Since only able students have been admitted to the course, we expect most of them to earn A or B on their report cards.

HOW TO USE THIS BOOK

The required reading in Comparative Political Systems consists of about sixty articles which have been edited from published works or written especially for this course. All of these articles follow a common pattern:

1. The introduction. Each introduction relates the reading to other readings in the course and supplies essential background information.

2. Study questions. A few study questions with each lesson bring out the most important points of the reading so that students can think about them in preparation for class discussion.

3. The article itself. Each article is an essay which contributes a few major ideas about a subject.

You are expected to read each day's lesson and to take notes on the reading before you come to class. Since your teacher will distribute dittoed material from time to time, you ought to get a three-ring looseleaf notebook which can hold both the material which will be distributed and your homework and classroom notes.

Notetaking is a vital skill. We suggest that you read and take notes each evening in the following manner:

1. Write the lesson number and the title of the reading at the top of a piece of paper.

2. Skim the entire reading. Read the first sentence in each paragraph of the introduction. Next read the study questions and get them fixed in your mind. Finally read the first sentence in each paragraph of the article itself. When you have finished, try to state in your own words what the lesson for the day is all about. Skimming such as this should never take longer than two or three minutes.

3. Read the introduction and take running notes. Do not read first and then read again for notes. Do not underline or mark the text in any way. Write down the major ideas from the introduction and any supporting evidence which seems particularly important. You need not use complete sentences, but remember that you may wish to study from the notes some months later, so take down enough information to make notes meaningful.

4. Read the article carefully and take running notes. Do not read first and then read again for notes. Do not underline or mark the text in any way. Take the same sort of notes which you took for the introduction. Put any conclusions you draw in parentheses to show that they are your own ideas.

5. Go over your notes, underlining key ideas or words. This procedure is the best way to begin learning the information in the lesson.

6. Try to answer the study questions. When you have finished studying your notes, try to answer the study questions for yourself. Do not write out the answers to the study questions. You would only be repeating the information in your notes if you do this. Use this step to see whether or not you got the important points from the reading in preparation for class discussion.

Two other study techniques will be useful. First, keep a vocabulary list in which you enter all new words and their definitions. Second, keep your class notes and your reading notes on a lesson together in your notebook so that you can review for tests without flipping through a mass of paper to find material which goes together.

Your teacher will help you if you have trouble with this notetaking technique. Because some lessons are based upon material presented in charts or talks, the technique for taking notes which we suggest here cannot always be used. In cases like this, your teacher will give you supplementary instructions. In addition, he will spend time in class occasionally to demonstrate good notetaking techniques and will criticize your notes in an individual conference if you request one. Do not hesitate to ask for help.

UNIT I

MAKING ECONOMIC CHOICES: THE ROLE OF VALUES

STATING THE ISSUE

Economics is the study of how men choose to use scarce resources to produce and distribute various commodities. Should we use the resources available to us to make corn flakes, space ships, teaching machines, or dog sleds? Should we concentrate on making machines needed to produce steel or automobiles or should we make refrigerators and television sets? Should everybody share what has been produced equally, or should a man share in proportion to his contribution to production? The rules that guide these choices define the economy in which men live.

Each society is guided in its choice by the things they hold dear. Americans expend a large percentage of their resources developing their educational system for Americans value education. Many European nations support music and musicians generously for they place great value on the benefits to be derived from surrounding one's people with good music. How a society chooses to use its scarce resources will be strongly influenced by the values it holds. Before we can hope to understand why people make the economic choices they do, we must first have some knowledge of what it is they value.

READING I

ECONOMIC VALUES OF PRIMITIVE PEOPLE

Man is constantly faced with the need to choose. All men do not choose in the same way. An economic system considered ideal by an American businessman might be rejected as hopeless by a Soviet planner. Within the United States itself, a system deemed practical by union leaders might well be seen as disastrous by the President of the United States Chamber of Commerce.

In this course we are going to study some different ways in which men have organized their societies so as to make some common economic decisions. Throughout the course you will be asked to make judgments about these economic systems. What criteria should you use to make these judgments? Should you accept the point of view of the National Association of Manufacturers, a group which represents American businessmen, or that of the AFL-CIO representing organized labor? Or will you want to establish a set of criteria tailored to fit your individual concept of how an economic system should operate? This problem is not merely an academic exercise unrelated to the real world. Throughout their lives American citizens have to make economic decisions involving judgments about which sort of system is "best." These decisions -- and they are likely to be changing ones as circumstances change -- are reflected in the way citizens spend their money, choose their jobs, vote for candidates, and do a host of other things. What values influence them in making these decisions?

Today we will begin a four-day study of people from three different cultures. We will study the Kwakiutl Indians of the nineteenth century along with contemporary Russians and Americans. On the final day of the unit, we will try to see economic systems from the points of view of each of the three groups we have studied. As you read today's assignment, keep the following questions in mind:

1. What was the focal point of the Kwakiutl's economic system?
2. How did their value system influence their economic decisions?

The Kwakiutl Indians lived on the narrow Pacific seacoast from Alaska to Puget Sound. In comparison with some other primitive peoples, they had a great number of possessions. They had plenty of food easily obtained from nearby rivers and from the sea. Stranded whales gave them blubber and bones which could be used for a number of purposes. The enormous forest which grew near the coast provided wood for log boats, houses, canoes and weapons.

Because the sea supplied so much food, men could live without farming. In addition to hunting and fishing, the men spent their time at woodworking. They built houses of wooden planks and carved great totem poles. They made boxes of boards and carved and decorated them to store the goods that their wives produced. Although they had no metal axes or saws, they learned to chop down giant cedar trees, and to cut them into boards with which to make large boats and houses. Some of their boats were big enough to carry fifty or sixty men.

Private ownership of property was well developed among the Kwakiutls. Although there were no cultivated fields, family groups "owned" hunting territories and land where they were entitled to pick all the wild berries and roots they could find. By custom, no outsider could trespass upon this family property. Fishing rights were "owned" just as strictly. The river banks, for example, were even divided into sections from which families could catch candlefish during the spring run.

Another sort of property was owned in a different fashion. Tangible and intangible status symbols were dearly prized by the Kwakiutls. Many of the symbols for which the Kwakiutls longed would be considered worthless by an American. Possession of spoons decorated with crests, posts around which houses were built, coppers (an etched sheet made out of native copper), indicated a man's prestige or position in the Kwakiutl community. But above all, men valued titles.

Most important were titles of nobility. Each family had rights to a group of titles. The titles gave them position within the tribe. They were used as personal names and passed down from generation to generation. When a person was given such a name in an appropriate ceremony, he assumed the greatness of his ancestor who had borne this title during his lifetime.

Titles were passed on from father to eldest son with elaborate ceremonies and rituals. In order to assume a title, the son was required by custom to engage in what, by American standards, would be considered exorbitant gift-giving. This is why the women spent so much of their time making mats, baskets and cedar-bark blankets which they stored in readiness for the gift-giving ceremonies. For their contributions, men made canoes and manufactured money out of shells. Members of the tribe spent much of their lifetime collecting immense quantities of goods in preparation for the ceremonies in which men acquired titles.

The supply of shells used for money was great and easily accessible. In addition, coppers were used as units of money. Some coppers were valued as high as 10,000 cedar-bark blankets. To buy a single copper a whole group would work for years so that one member of the group, at an appropriate ceremony, could demonstrate his great wealth by destroying or giving away the copper.

The whole economic system of the Kwakiutl was tied to this system of property distribution. In reading the following excerpt from Ruth Benedict's book, PATTERNS OF CULTURE, keep in mind the fact that for the Kwakiutl the potlatch, or gift-giving ceremony, was a part of his total culture, an affirmation of a way of life.

* From Ruth Benedict, PATTERNS OF CULTURE (New York: Mentor Books, 1952) 175-189.

This is an anthropological study of the Kwakiutl potlatch during which property was given away in an attempt to show oneself superior to one's rivals.

Glossary:

1. Economics - study of what goods and services are produced, how they are produced, and how distributed
2. Economic system or economy - institutions and practices through which a society makes its basic economic decisions
3. Value system - network of beliefs about what is considered important or good
4. Wealth - all objects having economic utility

READING II

AMERICAN VALUES

In yesterday's lesson we learned that as Americans we have difficulty understanding the customs and economic decisions of other societies. It is difficult, if not impossible, to lay aside the values we hold and see others in light of their own value system. While the Kwakiutl attitude toward property seems perfectly reasonable to a Kwakiutl, seen in terms of the American value system their customs appear wasteful and destructive.

What is the American value system by which we tend to judge others? Is there one consistent list of objectives desired by all Americans, values by which all Americans live? Let's examine a number of common assumptions concerning American life to see if we can structure a value system which would be accepted by all Americans.

In his study of "Middletown," Robert Lynd presented what has become a classic study of "typical" inland America in the 1920s and 30s. In MIDDLETOWN IN TRANSITION, published in 1937, Lynd suggested the following as common assumptions concerning American life. As you read, consider the following questions:

1. Are the values suggested in the following passage typical American values?
2. Which of these values would be most likely to have a strong impact on the way Americans (a) spend their money and (b) choose their life work?
3. Would it be possible for any American to live by a code which would include all of these values?

From Robert S. Lynd and Helen Merrell Lynd, MIDDLETOWN IN TRANSITION, (New York: Harcourt, Brace & World, Inc., 1937), 403-416, passim.

The authors list a rough pattern of things that the typical inland American was for and against in the 1920's and 1930's.

READING III

THE STATED VALUES OF A SOVIET COMMUNIST PARTY MEMBER

In yesterday's reading we saw how difficult it would be to arrive at a simple set of non-conflicting values that might be accepted by most Americans. This same difficulty faces us when we try to think about a "typical" Soviet citizen. The values of Soviet citizens probably vary just as those of their American counterparts do, so the question of deciding who is typical and who is not exists for Soviet citizens just as it does for Americans. Moreover, for us the problem of understanding Russian values is compounded by difficulties encountered in attempting to collect accurate information about vast numbers of Soviet citizens. Reports of refugees are not representative of the thoughts of those who stay behind. Letters printed in Soviet newspapers are not representative in that, to an even greater extent than is true in American newspapers, they are screened by editors who choose what they want to publish. The printed letters may reflect the values that the Russian leaders want to have reflected. Since we do not have access to sufficient unbiased information to make an educated evaluation of values held by Russians in general, we will take a very different approach in this lesson from the one used in the last lesson. Instead of looking at the results of a sociological survey of many citizens, we will try to see some part of the Russians' values by looking at what just one man, the most powerful one in his country at the time of his speech, said about his economy when he talked to foreigners.

In September of 1959, Premier Nikita Khrushchev made an unprecedented trip to the United States. The trip was composed of two parts -- a ten-day sightseeing trip across the United States and a somewhat less than two-day period of talks with President Eisenhower on questions of conflict between the two nations. During the ten-day tour of the country Khrushchev made many speeches, both formal and informal, and during this time a favorite pasttime of the American press was not only to report what had been said, but to analyze why it had been said. What kind of a man was this speaking? Was he truly speaking for the Russian people? What were his goals? Were the things which he wanted to accomplish in his economy fundamentally different from the things that most Americans want from their economy?

Today's reading is from a speech Mr. Khrushchev made in Pittsburgh, Pennsylvania on September 24th. As you read it consider the following questions.

1. Would most Russians approve Premier Khrushchev's choice of goals? How could we tell? Does Khrushchev's subsequent loss of power suggest that he was wrong in his view of Russia's goals, or is it more likely that he lost out because of differences on means and men to achieve those goals?
2. How do the Russian goals and American goals differ?
3. What similarities are there in Russian and American goals?
4. What do you as Americans think of Russian goals? Why?

From N. K. Khrushchev as quoted in THE NEW YORK TIMES, September 25, 1959, p. 10, passim.

Khrushchev's speech delivered in Pittsburgh, Pennsylvania, giving a statement of Soviet values.

Come to class tomorrow prepared to make a comparable speech covering American economic objectives which might have been delivered by an American president in front of a Moscow audience.

READING IV

For the past three days we have been examining basic objectives of three different societies. We have taken a very casual look at the Kwakiutls to examine a few of the values they considered important. We have also glanced at some values respected in the Soviet Union and the United States. For tonight, there is no reading. Instead, outline your concept of the "good society." What goals would be pursued in the "good society"? What means for reaching desired goals would be encouraged? Bring your outlines to class tomorrow and be prepared to defend your concept of the "good society."

UNIT II

THE TRADITIONAL ECONOMY

STATING THE ISSUE

Every society since the beginning of civilization has faced the same universal economic problem: man's wants are limitless and the resources available to satisfy these wants are scarce. In a world where man cannot have everything, he must make choices. Every economic system must find answers to three questions which rise from the problem of scarcity and the necessity to make decisions. They are what to produce, how to produce it and for whom to produce it.

During the history of mankind, these three questions have been answered in innumerable ways. Roughly speaking, these ways can be classified into variations of three major types. Traditional societies permit the customs of the past to guide their economic decisions for them; today's members of such societies answer the three questions exactly as their ancestors did. Command societies enable a small group of individuals to answer the questions. Market societies answer the questions through a decentralized system in which the consumer has the major voice. Most societies, as you will learn, are mixtures of these three major types. The variety of "mixes" is almost endless.

Throughout most of mankind's history, tradition has been the major influence upon economic decisions. Even today traditional economies are typical for people of many underdeveloped nations. These people make just about the same goods their fathers made with the same tools and techniques that their fathers used and divide these goods just as their fathers did. We can understand neither the economic systems of the past nor those of the present unless we know how a traditional society works.

What is a traditional society and how does one operate? These questions are the subject of readings five through eight.

READING V

THE TRADITIONAL ECONOMY: CUSTOMS AND VALUES

During the next four days we will study the economic system of a society quite different from our own. In studying a society other than one's own, the fact should always be kept in mind that people having different customs from the ones with which we are comfortable are not necessarily strange people. Customs are the product of the special factors that have shaped each society in its own way. No two societies had the same history, the same geography, or even the same luck. It would be odd then if they ended up with the same cultures.

As you learned last semester, all societies have some system of governing, that is some accepted way of making decisions affecting the group. These systems of government in some cases are formal, in others informal. Similarly, all societies have some economic system, some pattern for making economic decisions acceptable to the group. Basically, every society must have a way of deciding how they will ration or divide up available resources. With the resources available to them, they must decide what will they produce, how will they go about producing it, and who will share the fruits of production.

The readings that follow describe certain aspects of life as lived about 50 years ago by some tribes of Alaskan Eskimos. The climate in which these Eskimos lived was, of course, severe. Since food was scarce and hunting the major source for that food, these Eskimos traveled in very small groups, often only one or two families together. Larger groups would kill all nearby animals too quickly and cause a whole tribe to starve. Since groups were so small and widely scattered, there was no formal government, no law enforced by officials. Custom governed most activities. This then was a model of a traditional society.

Frequently sharing a common residence, families developed a strong sense for kinship and cooperation. For the Eskimo, the family was a flexible tool arranging and rearranging itself to meet the needs of the moment and to strive for goals for the common welfare. It was the family which performed the function of social control.

Of the following excerpts, some were written by an explorer, Vilhjalmur Stefannsson, and the others by Robert Spencer, an ecologist (a scholar who studies the relationship between the social and cultural patterns of a group and the material resources available to them.) The background of an author is highly significant. It is one guide in evaluating the reliability of information. As you read, consider the following questions:

1. How reliable are the observers upon whose information you are basing your picture of these Eskimos? Is one observer more reliable than the other? Why?
2. What personal qualities were admired by these Eskimos?
3. Which of these qualities would most likely affect the rate at which the economy grew in economic wealth?
4. After you read these excerpts, ask yourself which of the qualities that are most admired in your community would seem strangest to these Eskimos.

From Vilhjalmur Stefansson, MY LIFE WITH THE ESKIMO, (New York: Collier Books, 1962), 264, 179-180 passim; and Robert F. Spencer, THE NORTH ALASKAN ESKIMO: A STUDY IN ECOLOGY AND SOCIETY, (Washington, D.C., Government Printing Office, 1959), 152-153, 155, 161 passim.

Short excerpts from the two sources - an explorer and an ecologist - describing customs and values among the Eskimo from two different points of view.

Glossary:

1. traditional society - a society in which most current decisions are dictated by the customs of the past

READING VI

THE TRADITIONAL ECONOMY: RESOURCES

The Eskimo's lack of natural resources is not enough to explain his adherence to a traditional economy. Traditional economies have existed amid abundant natural resources. The American Indians for thousands of years maintained ways dictated by custom in a land which has the world's richest supply of raw materials. Similarly the ancestors of the present Russian people lived a traditional life with vast untapped resources beneath their feet.

Another area of misunderstanding surrounds the classification of resources. Many people believe that certain resources are inherently valuable, others inherently worthless. But which resource will be considered poor and which valuable is determined largely by the state of a society's economic development. With a sufficiently advanced technology many materials such as iron ore and the power of falling water, not useful to men in a traditional society, become enormously valuable. On the other hand, resources which seem worthless to a typical American city dweller are invaluable to an Eskimo. A metal bar, a few sticks of wood, the right kind of snow, a dead whale and a dog team are all valuable if a man's culture has taught him to use them.

Today we will read about the resources available to the Eskimos. To us they seem frighteningly limited. Yet to the Eskimo they make the difference between living well and living poorly or not living at all.

As you read, consider the following questions:

1. What natural resources are available to the Eskimos? What human resources? What man-made resources?
2. On which type of resources - natural, human, or man-made - do the Eskimos appear to rely most heavily? On which least heavily? Do you think this is characteristic of traditional societies?
3. Would the Eskimo's way of valuing these resources affect economic development within his society? Why?

Several short readings included here as follows:

- *** From Peter Freuchen, BOOK OF THE ESKIMOS, (Cleveland, Ohio: The World Publishing Co., 1961), 16-18.**

  This is a description of the climate and vegetation and animal life of the Arctic: its natural resources.

- *** From Vilhjalmur Stefansson, THE FRIENDLY ARCTIC (New York: The Macmillan Company, 1943) 173-175 passim.**

  This is a description of how an igloo is built.

- *** From Peter Freuchen, BOOK OF THE ESKIMOS, op. cit., 38-40.**

  This is a description of the clothing of the Polar Eskimos.

- *** From Robert F. Spencer, THE NORTH ALASKAN ESKIMO, op. cit., 77, 125.**

  This is an explanation of the necessity of marriage to the Eskimo way of life and the necessity of cooperation for survival.

Glossary:

1. **natural resources - materials and energy supplied by nature**
2. **capital resources - resources created by man's efforts and used in the production of goods and services**
3. **human resources - human energy and skills**

READING VII

THE TRADITIONAL ECONOMY: WHAT, HOW, AND FOR WHOM?

From the previous two readings we have gained some insight into the way of life of certain Alaskan Eskimos living about fifty years ago in a traditionally structured society. We have examined a few of their goals and inferred a few values. We have considered the resources available to them and the part these resources played in their economic development. Today we are going to consider how these Eskimos answered the three basic economic questions:

What shall we produce?

How shall we produce it?

For whom shall we produce it?

Every society must answer these questions. Many factors influence the answers. A society's ability to live at peace with its neighbors certainly affects that society's answer to the question, "What shall we produce?" A society's access to technological developments will obviously affect its answer to the question, "How shall we produce?" And the strength of a society's ideological convictions concerning the equality of mankind will necessarily affect its answer to the question, "For whom shall we produce?" Out of its own experiences and values, each society fashions a structure that answers the economic questions for that society. The structure may be mainly traditional, mainly command or mainly market.

The readings which follow concern the way in which a traditional society answers the three basic economic problems: what, how and for whom. As you read the following excerpts, consider these questions:

1. What factors influenced the Eskimos' decision concerning what they would produce? Why were these factors so influential in shaping Eskimo decisions?

2. What factors influenced the Eskimos' answers to the basic economic question, "How should goods be produced?"

3. What factors influenced the answer to the question, "For whom shall goods be produced?"

4. Can you summarize your answers to questions 1, 2 and 3 in a single sentence?

* From Vilhjalmur Stafansson, MY LIFE WITH THE ESKIMO (New York: Collier Books, 1962) 407-408, 112-114, 272 passim; and Robert F. Spencer, THE NORTH ALASKAN ESKIMO, op. cit., 144-145, 92 passim.

This is a discussion of how a traditional society produces what it needs by hunting and now the goods are distributed.

Glossary:

1. division of labor - separation of larger unit of work into smaller operations to be performed by different individuals or groups in sequence
2. trade - the exchange of goods or services

UNIT III

ECONOMIC DECISIONS IN THE MARKET ECONOMY

STATING THE ISSUE

In the market economy, just as in the traditional, man is faced by scarcity and is forced to choose. In the market economy, just as in the traditional, man's choice will be influenced by the values he holds. But whereas traditional societies will tend to answer economic questions in terms of what was done in the past, the market economy reaches decisions in large part through ever-changing consumer preferences that make themselves felt through a price system. A market is an informal coming together of buyers and sellers, each seeking to satisfy his own desires and each seeking his own self interest. Prices, as we shall see, act as signals in these markets giving cues to producers as to what they ought to produce. Thus, the price is to the market economy what the custom of the past is to the traditional economy or the governmental order is to the command economy. The next four lessons deal with the making of economic decisions in a market economy.

READING VIII

BRIDGING THE GAP BETWEEN A TRADITIONAL ECONOMY AND A MARKET ECONOMY: THE CONCEPT OF A SPECTRUM

During the last three days we have been studying an economic system in which most decisions were made in keeping with traditions inherited from the past. Tomorrow, we shall begin an extensive study of an economic system in which most decisions are made by a dynamic and invisible mechanism referred to as the market. In studying the market system, we shall use the American economy as an example although it is true that, (i) just as all traditional societies are not identical in structure to the Eskimo society we examined, neither are all market societies the same, and (ii) just as the Eskimo society would not prove to be a completely traditional society on closer examination, so too the American economy will not prove to be purely a market economy.

By now you should all be critical enough of published material to recognize that in describing the Eskimo economy we carefully chose to tell you about those customs which illustrated the points about Eskimo society we wanted to highlight for the purpose of making a particular point. Space limited our telling you all about the Alaskan Eskimos and our specific goal, explaining how traditional economies operate would only have been blurred by too much detail. But, as a reader, beware -- you can easily be led astray, by even the most reputable of sources, through being given only that evidence which indicates a limited point of view. If space permitted we might have presented some alternative evidence indicating that, while the Eskimos functioned primarily in accordance with tradition, there are areas where change was accepted and customs molded to fit new needs. For example, in some areas, white settlers introduced wood for home building rather than blocks of ice. Many Eskimos abandoned tradition and began building shelters of wood. Again, missionaries in introducing the practices of Christianity led the Eskimos away from tradition in the direction of change. So, the Eskimo society is certainly not an example of pure tradition and complete opposition to change. Tradition plays a bigger part there than in our economy, but these are relative matters, not absolute ones.

Today we are going to examine the pure market economy. (Later we will want to modify this picture by seeing some ways in which our economy uses markets in most decisions, but also has elements of tradition and command in it.) In 1776, Adam Smith, an English economist, published THE WEALTH OF NATIONS, an analysis of the western European economies (especially that of England) which were emerging out of a long period of governmental protection of economic activities into an era of relatively free markets. This book is still considered a classic interpretation of how a market economy operates under conditions of pure competition. Today's reading is divided into two parts. Part I consists of excerpts from Adam Smith. Part II will introduce the concept of a spectrum of economic systems. As you read the few short passages in Part I, consider the following questions:

1. **According to Smith, how does the market society provide answers for the economic questions what, how and for whom?**
2. **At what points does Smith's analysis seem an accurate description of the American economy?**

PART I

"It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their self-interest. We address ourselves not to their humanity, but to their self-love, and never talk to them of our necessities, but of their advantages."

From Adam Smith, THE WEALTH OF NATIONS. New York: Modern Library, 1937, p. 14.

". . .it is only for the sake of profit that any man employes a capital in the support of industry; and he will always, therefore, endeavour to employ it in support of that industry of which the produce is likely to be of the greatest value, or to exchange for the greatest quantity either of money or of other goods. . . .Every individual generally neither intends to promote the public interest, nor knows how much he is promoting it. . . he is in this, as in many other cases, led by an invisible hand to promote an end which was not part of his intention. By pursuing his own interest, he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good."

Ibid., p. 423

"When the price of any commodity is neither more nor less than what is sufficient to pay the rent of the land, the wages of the labour, and the profits of the stock employed in raising, preparing and bringing it to market. . .the commodity is then sold for what may be called its natural price. . . .

"The actual price at which any commodity is commonly sold is called its market price. . . .

"The market price of every particular commodity is regulated by the proportion between the quantity which is actually brought to market, and the demand of those who are willing

to pay the natural price. . . .Such people may be called the effectual demanders, and their demand the effectual demand. . . .A very poor man may be said. . .to have a demand for a coach and six; he might like to have it; but his demand is not an effectual demand. . . .

"When the quantity of any commodity which is brought to market falls short of the effectual demand, all those who are willing to pay. . .cannot be supplied with the quantity which they want. . . .Some of them will be willing to give more. A competition will immediately begin among them, and the market price will rise more or less above the natural price; according as either the greatness or the deficiency, or the wealth. . .of the competitors, happen to animate more or less the eagerness of the competition. . . .

"When the quantity brought to market exceeds the effectual demand, it cannot be all sold to those who are willing to pay the whole value of the rent, wages and profit, which must be paid in order to bring it thither. Some part must be sold to those who are willing to pay less, and the low price which they give for it must reduce the price of the whole. The market price will sink. . .according as the greatness of the excess increases more or less the competition of the sellers, or according as it happens to be more or less important to them to get immediately rid of the commodity. . .

"When the quantity brought to market is just sufficient to supply the effectual demand and no more, the market naturally comes to be. . .exactly . . .the same with the natural price. The whole quantity upon hand can be disposed of for this price, and cannot be disposed of for more. The competition of the different dealers obliges them all to accept of this price, but does not oblige them to accept of less.

"The quantity of every commodity brought to market naturally suits itself to the effectual demand. It is the interest of all those who employ their land, labour, or stock in bringing any commodity to market, that the quantity never should exceed the effectual demand, and it is the interest of all other people that it never should fall short of that demand."

Ibid., pp. 55-57

PART II

THE SPECTRUM

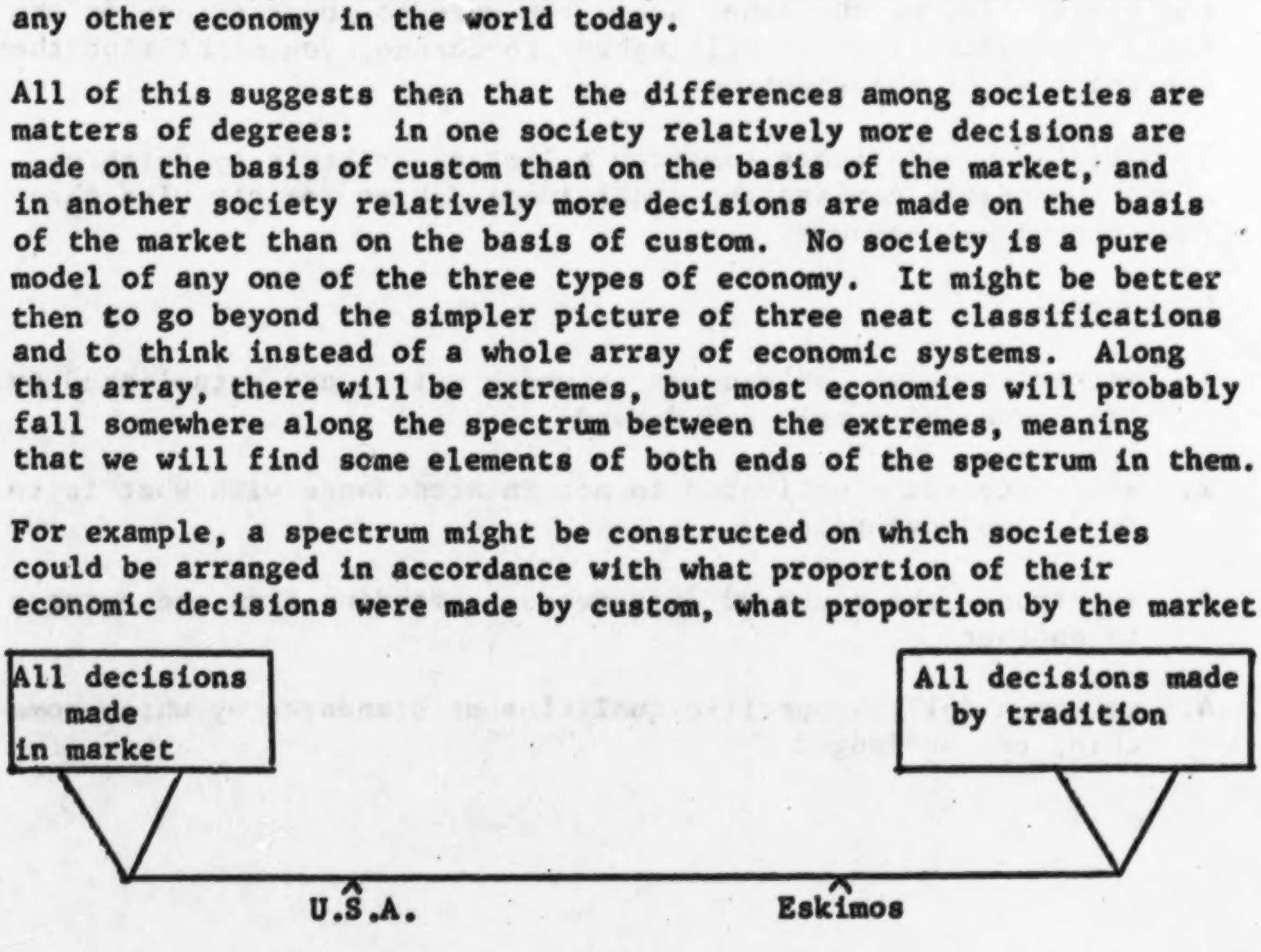
1. **Economies would be simpler to talk about if they were "black" or "white" rather than "grey". Why then do we insist on talking about they as "grey"?**
2. **What dangers might arise from thinking of the Eskimo and American societies not as points on a spectrum, but as "pure types" (i.e. Eskimo society as a pure traditional economy, and American society as a pure market economy? Can you foresee similar dangers in thinking of the Russian and American societies as pure types of command and market economies respectively?**

At the beginning of this course you learned that the economic decisions of all societies could be described as falling within one of three patterns: traditional, market, or command. In looking at the Eskimos, we discovered that,while this particular traditional economy made most economic decisions in accordance with custom, some decisions were made outside the pattern of the traditional economy.

As you read the brief excerpts from Adam Smith, you surely felt some discrepancy between Smith's picture of the pure market economy and economic decisions as they are made in the United States today. Yet, basically, the American economy is as much a market system as any other economy in the world today.

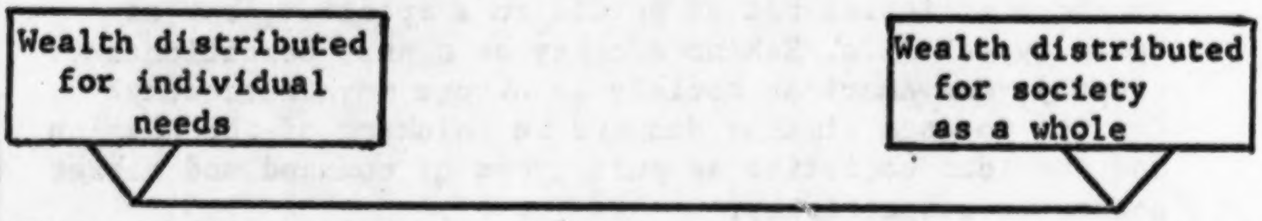
All of this suggests then that the differences among societies are matters of degrees: in one society relatively more decisions are made on the basis of custom than on the basis of the market, and in another society relatively more decisions are made on the basis of the market than on the basis of custom. No society is a pure model of any one of the three types of economy. It might be better then to go beyond the simpler picture of three neat classifications and to think instead of a whole array of economic systems. Along this array, there will be extremes, but most economies will probably fall somewhere along the spectrum between the extremes, meaning that we will find some elements of both ends of the spectrum in them.

For example, a spectrum might be constructed on which societies could be arranged in accordance with what proportion of their economic decisions were made by custom, what proportion by the market.



Obviously, the United States would be positioned somewhere to the left of this spectrum, the Eskimos somewhere to the right. (Will they be at fixed points along that line, or will they be moving along it as the years pass? If they are moving, in which direction are they changing?)

Another way to position or compare societies economically might be by the degree to which wealth is distributed to meet needs of individuals as opposed to distribution primarily for the society as a collective body.


Wealth distributed for individual needs
Wealth distributed for society as a whole

Where would you position the United States on this spectrum? Where should the Eskimos be placed?

The advantage of the spectrum device is that it enables us to avoid oversimplifications in comparing economies. It should help us not to think of "blacks" and "whites" in economic systems, but rather to think of various shades of "grey" in between the extremes. These differences in shades may still be important -- but they are matters of degree. Keep in mind then that the differences about which we will be talking in the weeks ahead are differences of degree only. And recall that a society's standing in relation to any other society will always depend upon what criteria you choose as bases for comparison along the spectrum. For example, if you were to compare the Eskimo society with the American society on the basis of how much freedom the individual has, you might find the differences not too great. If, on the other hand, you were to compare them on the basis of flexibility, or willingness to change, you might find them far apart along the spectrum.

Prepare for use in class tomorrow a list of criteria by which we might reasonably compare the traditional Eskimo society with the American market economy.

Glossary:

1. market economy - an economy in which prices are established by the forces of supply and demand
2. self-interest - motivated to act in accordance with what is to one's own advantage
3. spectrum - the range of differences extending from one extreme to another
4. criteria (pl.) - specific qualities or standards by which something can be judged

READING IX

HOW ONE AMERICAN FIRM ANSWERED THE BASIC QUESTIONS

During the next two days, you will read an account of the way in which an American business firm came face to face with the basic economic questions -- what should be produced, how it should be produced, and for whom it should be produced (i.e. both who would get the product and who would share the money realized by selling that product). These two readings will give you an opportunity to look at economics from the point of view of one business firm.

The Dennison Manufacturing Company has its general offices in Framingham, Massachusetts. Founded in 1844, it has developed in line with a growing economy. Today it has seven major divisions making and selling a large number of products. Each new direction which the company has taken has forced its leaders to make basic economic decisions.

As you read, keep the following questions in mind:

1. What influenced the managers of the company in deciding what products to manufacture?
2. What factors influenced their decisions concerning how each product would be produced?

Also, as you read, list those developments in the Dennison story which you think typify growth within a market economy.

THE DENNISON MANUFACTURING COMPANY (Part I)*

* From "The Dennison Manufacturing Company," (Newton, Massachusetts: The City of Newton copyright, 1963).

A Casebook excerpt of the history of the growth of a family enterprise.

Glossary:

1. market - the buying or selling of a particular good or service; usually reserved in economics for those situations where the exchange of goods and services takes place at prices set by consumers' demand and producers' supply.
2. diversifying - giving variety to
3. credit - securing money, goods or services in the present against the promise to pay for them in the future

4. dividends - that share of the earnings or profits which a corporation pays to its stockholders
5. individual proprietorship - a business owned and managed by one individual, who assumes the risk and receives the profits
6. liability - an obligation to pay what is owed to creditors
7. partnership - a business owned and managed by two or more individuals, who combine their money capital and abilities, assume the risk, and share the profits
8. distributor - an agent or agency for marketing goods
9. consumers - those who use final economic goods or services

READING X

HOW ONE AMERICAN FIRM ANSWERED THE BASIC QUESTIONS
(Part 2)

Yesterday you studied the early history of the Dennison Manufacturing Company. Today we will take up the story beginning just after the Civil War. In the years at the end of the nineteenth century, the Dennison Company went through a number of vital changes as it faced new problems in the growing American economy. Most of these changes in one way or another involved the basic economic questions.

The study questions which you were assigned for yesterday also apply to today's assignment. Reread them before you begin work on this lesson. In addition, keep the following questions in mind:

1. How did the owners of the Dennison Manufacturing Company benefit from increased earnings? How did Dennison workers benefit? Did consumers benefit? Did the government benefit?
2. What is the relationship between how a company's sales dollars are divided and the answer to the basic economic question -- for whom are goods produced?

THE DENNISON MANUFACTURING COMPANY (Part II) *

* Part II of the history of the growth of the Dennison Manufacturing Company, op. cit.

Glossary:

1. corporation - a business organization owned by the stockholders and legally (if not actually) controlled by the common stockholders through the right to vote for the board of directors

2. bankruptcy - use by debtor of legal method for relieving himself of financial obligations he is unable to meet
3. stock - certificates of ownership interest in a corporation, sold in units called shares
4. stockholders - those who own stock certificates
5. board of directors - a group chosen by the stockholders of a corporation to manage the enterprise
6. public exchange - the place where stocks and bonds are bought and sold according to recognized rules
7. broker - an agent who acts for other parties in buying or selling stocks, bonds, commodities or services, usually on a commission basis
8. charter - document issued by legislative authority granting privileges and duties of incorporation

READING XI

HOW AN AMERICAN FIRM MIGHT ANSWER THE BASIC QUESTIONS

For the past two days you have studied the ways in which one American firm, operating within a market economy, answered the basic economic questions. Today we are going to examine the way in which an American child might first come face to face with these questions.

Suppose you had a brother in the fourth grade who wanted to make some money this summer. Your mother might suggest that he set up a small business for himself, a lemonade stand, for example. Ignorant in the field of economics, your brother might turn to you for advice.

Write an outline containing an analysis of the types of economic decisions your brother will have to make. In summarizing problems to be met, keep in mind the fact that your brother will be operating in a market economy. Recall, in general, the problems faced by the Dennison Company. In a way, the problems faced by big business are magnified versions of the same problems faced by small business.

Keep your outline under one page in length. Outline your thoughts in short but clear phrases. DO NOT USE COMPLETE SENTENCES IN OUTLINING. Bring your outline to class tomorrow so that we can discuss it. After our class discussion, you may amend your outline. Your amended outline will then form the basis of a paper you will write tomorrow night.

READING XII

There is no reading for tonight. In lieu of a reading you will write a paper based on the outline developed yesterday. Your paper should not be more than two pages in length. As you write, keep in mind the rules for essay writing discussed last semester.

Remember, your brother has come to you as an economic consultant. A good consultant knows that if a client is to be satisfied with his service, certain standards must be met.

1. **You must first recognize the core of your client's problem and define his problem in terms that he can understand.**
2. **You must help your client think through the question of what his primary goals and objectives are.**
3. **You must see and interpret for your client the alternatives confronting him in reaching his objectives.**
4. **You must clearly point out to your client the possible consequences of pursuing each alternative.**
5. **You must provide your client with the information necessary for him to make an intelligent and informed choice. Keep in mind it is your responsibility to communicate in terms that can be understood by your client, whoever he may be.**

UNIT IV

PRICING IN A MARKET ECONOMY

STATING THE ISSUE

The functioning of a market economy depends primarily upon individual producers and consumers pursuing their own self-interests. If an individual consumer in the society wants something badly enough, he will show this by his willingness to pay for it. This willingness to pay in turn will provide the incentive for some producer to supply the need provided that he can cover all of his costs and his necessary profit in the price that the consumer will be willing to pay. The consumer then feels that it is in his self-interest to pay that price in order to get something that he wants that he cannot produce so cheaply for himself. And the producer feels that the sale is in his self-interest because he gets a better return over and above his costs producing this good than by producing any other one. One man pays a price, and the other receives it; but both feel they are better off because of the exchange.

For the next few days, we are going to study the nature of the pricing system in a free market economy. We shall look, first, at how the pricing system works under completely competitive conditions. We shall examine how prices operate in determining what should be produced, how it should be produced and for whom it should be produced.

READING XIII

THE NATURE OF A PRICE SYSTEM

No society depends exclusively upon any one method for allocating its scarce resources. However, while the American market economy answers some economic questions in terms of tradition and some in terms of command, predominantly the answers to the basic economic questions are determined by the operation of a price system within the market.

Because most of us have lived in a market economy all of our lives, we tend to take it for granted. But could we explain to a stranger to our system how the market mechanism works? The following passage illustrates this perplexity. As you read it, outline an answer to the following question:

1. How does a market economy decide --
   - A. What will be produced?
   - B. How will it be produced?
   - C. For whom will it be produced?

* From Robert L. Heilbroner, THE MAKING OF ECONOMIC SOCIETY (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1962).

Simple discussion of how one would act as consultant to emerging nation and try to explain the market economy.

How can we answer the questions raised by this passage? How can it happen that millions of unrelated, individual economic choices about what to do, buy and sell can satisfy the needs of an entire society? In order to figure out an answer to this question, we must start with a few basic definitions:

1. Market - any place where an exchange of goods or services takes place; also, the act of buying or selling of a particular good or service; usually reserved in economics for those situations where the exchange of goods or services takes place at prices set by consumers' demand and producers' supply
2. Market price - sum of money at which any exchange of goods or services takes place in the market
3. Money - generally accepted medium of exchange
4. Scarcity - condition when resources, goods or services are limited in supply in relation to the demand for them

5. Allocation of resources - choosing to use production facilities for one purpose rather than another

6. Mobility of resources - movement of productive resources, such as labor and capital, from one productive activity to another

Using these definitions and assumptions as your guide, come to class tomorrow prepared to watch and hear a slide tape offering an explanation of a simplified market economy in which there are only two goods produced and consumed.

READING XIV

DEMAND AND SUPPLY IN THE MARKET: I

A popular college textbook sets out the law of supply and demand as follows: "The law of supply and demand states that the market price and the quantity sold will be determined by supply and demand in competitive markets." This statement contains five key terms: market price, quantity sold, supply, demand, and competitive markets. Perhaps the best way to understand these five terms is through an example such as the supply of, and demand for, ice cream of a certain quality in a particular town during a particular year.

1. The market price of a quart of ice cream is the sum of money given by the consumer and received by the seller in exchange for a quart of ice cream.

2. Quantity sold means the number of quarts of ice cream which will be sold to consumers during a certain time period.

3. Demand means the entire list of quantities of ice cream that consumers would buy at various prices at a particular time. Here is an example of the demand for ice cream in a town.

Table 1

The Demand for Ice Cream in Town A on June 1

If the price were	Consumers would buy
$ .80 per quart	500 quarts a week
.75 " "	550 " " "
.70 " "	600 " " "
.65 " "	700 " " "
.60 " "	850 " " "
.55 " "	1000 " " "
.50 " "	1200 " " "

The demand for ice cream then is not anything as simple as, say, "500 quarts." Instead, the demand is 500 quarts a week at 80 cents, 550 quarts a week at 75 cents, 850 quarts a week at 60 cents, 1000 quarts a week at 55 cents and so forth. The demand for ice cream could never be a single number because within a finite range of prices there would always be some people willing and able to buy ice cream at a higher price, and more willing and able to buy at a lower price. Demand, therefore, is not a single amount at a single price; it is a list of amounts at a list of prices per unit of time. Thus an increase in demand means that more quarts will be desired at each of the possible prices.

(Test your understanding of the idea above. Why would it be impossible for you to give any simple one-word answer, other than the word "none," to this question: "How many shirts do you want to buy?")

4. **Supply means the entire list of quantities of ice cream that suppliers will offer for sale at various prices. Here is an example of the supply of ice cream in a town.**

Table II

The Supply of Ice Cream in Town A on June 1

If the price were	Producers would want to supply
$ .80 per quart	1200 quarts a week
.75 " "	1000 " " "
.70 " "	850 " " "
.65 " "	700 " " "
.60 " "	600 " " "
.55 " "	550 " " "
.50 " "	500 " " "

The supply of ice cream is this entire schedule of prices and quantities which would be offered for sale. In other words, the supply is 1000 quarts a week at 75 cents, 850 quarts a week at 70 cents, 700 quarts a week at 65 cents, 600 quarts a week at 60 cents, 550 quarts a week at 55 cents and 500 quarts a week at 50 cents. The supply of ice cream could never be a simple number such as 1000 quarts, because within a finite range of prices there would always be more efficient producers willing and able to sell ice cream at a lower price, and less efficient producers willing and able to sell only at a higher price.

5. **Competitive markets mean primarily that a large number of producers are offering similar products for sale and that no one producer is so large that he can raise or lower the price of a product significantly by holding his product off the market or by offering more of it for sale. It also means that there are many independent buyers anxious to buy the goods and no one buyer is so influential that he can significantly raise or lower the price of the product by his willingness or unwillingness to buy.**

Today we will begin to study the way in which the "law of supply and demand" helps to determine prices. We will concentrate our attention on the demand side of the picture although supply will also be considered. In the next reading we will focus upon supply, giving demand second place. As you read today, keep the following questions in mind:

1. **What is demand? What is supply? How do they determine market price?**
2. **What is a change in demand? What types of developments cause demand to change?**
3. **Did demand alone determine the quantity sold and the market price in the examples given in today's reading?**

EFFECT OF DEMAND ON THE MARKET

Metropolis is a well established industrial city. About half a million people live in the city itself with another million in the surrounding suburban area. The economy of the entire area is based upon heavy industry and income varies widely from time to time, depending on the prosperity of the mills.

In a competitive market economy, many small businesses supply similar goods to the consumers of an area. For example, in Metropolis, more than fifty dairies produce ice cream of comparable quality. Each competes with the other for business.

The influence of total demand on production became clear several years ago during a particularly hot summer. The winter had been long and bitter. A cool, dark May followed a springtime marked by heavy rainfall and cool evenings. The ice cream business at the beginning of the summer was in the doldrums. The following table indicates the demand picture for ice cream between May 1 and June 1:

Table I

Demand for Ice Cream, May 1 - June 1, 1963

If the price were	Consumers would buy (each week)
.80	50,000 quarts
.75	55,000 "
.70	60,000 "
.65	70,000 "
.60	85,000 "
.55	100,000 "
.50	120,000 "

During the summer, three developments took place each of which affected the demand for ice cream and changed the market price. The first development was a sudden hot spell. The stores were besieged with demands for ice cream. This hot weather changed the demand for ice cream as follows:

Table II

Demand for Ice Cream, Week of June 1 - June 8

If the price were	Consumers would buy
.80	60,000 quarts
.75	70,000 "
.70	85,000 "
.65	100,000 "
.60	120,000 "
.55	150,000 "
.50	180,000 "

Compare Table II with Table I. Notice that the amount of ice cream which consumers would buy had changed at every price listed on the table. Consumers would buy more ice cream at .80, at .65 and at .50; in fact, at any price for which we have estimates.

The second of the three developments was a strike. Forty thousand mill workers and their families suddenly had their income reduced drastically because the strike funds paid by the union were not nearly so large as the men usually made in wages. Moreover, many businesses which depended upon mill workers for sales reduced hours for their employees or laid some of them off entirely. Within a week, this development had affected the demand for ice cream as Table III indicates:

Table III

Demand for Ice Cream, Week of June 15 - June 22

If the price were	Consumers would buy
.80	40,000 quarts
.75	42,000 "
.70	44,000 "
.65	48,000 "
.60	50,000 "
.55	55,000 "
.50	60,000 "

Compare Table III with Table II. Notice that the amount of ice cream which consumers would buy at every price changed. Consumers would buy less ice cream at any price for which we have estimates.

The third development which affected the demand for ice cream followed a few weeks later. A rumor circulated through the community that a few cases of typhoid fever had been identified and that the supposed cause was milk and milk products. The rumor later proved to be completely false but not until after many householders had stopped buying milk and milk products for a week or so. Table IV indicates the effects of this development on the demand for ice cream.

Table IV

Demand for Ice Cream, Week of Aug. 1 - Aug. 8

If the price were	Consumers would buy
.80	38,000 quarts
.75	40,000 "
.70	42,000 "
.65	44,000 "
.60	46,000 "
.55	48,000 "
.50	50,000 "

Compare Table IV and Table III. Notice that the amount of ice cream which consumers would buy had changed at every price listed on the table. Consumers again would buy less ice cream at any price for which we have estimates.

Obviously the demand for all products does not respond to price change in exactly the same way. For example, if the price of salt rose from 10¢ a box to 12¢ a box, there would probably be little effect on the demand for salt. Most people would buy just about the same amount at the higher price. (Why?) Yet, if one particular brand of salt were the only one to go up in price, the sales of that brand might fall sharply. (Why?) Again, if a surgeon developed a technique for curing cancer, he might double or triple his prices and find the demand for his services had considerably increased rather than decreased. On the other hand, a 40¢ a pound difference in the price of a pound of steak might vary the demand for steak radically and a 40¢ a pound difference in the price of butter might reduce the demand for butter almost to zero. (Why?)

But whether the amount demanded varies a great deal with changes in price or varies only slightly, the demand of the consumer is still one of the two determinants of price in a free market. The other determinant is supply. In the next reading we shall study the way in which supply and demand together set prices and determine the quantity sold in competitive markets.

Glossary:

1. supply - schedule of quantities which will be supplied per unit of time at various prices
2. demand - schedule of quantities of a particular good or service demanded per unit of time at various prices
3. competition - a market condition in which many buyers and many sellers exchange an identical product; no single buyer or seller is able to influence price or quantity significantly, and no collusion exists

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READING XV

DEMAND AND SUPPLY IN THE MARKET: II

In the previous lesson we looked at the role of demand in setting market prices. Today we take a similar hard look at supply.

Supply was defined in the previous reading as the amounts that suppliers (or producers) will offer for sale at different prices. Supply is thus a whole schedule of prices and quantities that would be offered for sale.

In the case of demand, our common sense tells us that customers ordinarily will want to buy less of any item as the price of it increases. Two reasons lie back of this general pattern of behavior: First, consumers can afford less when the price is higher, and second, consumers want less when the price is higher (or, in other words, substitute goods which have not increased in price become relatively more attractive to them).

> (Re-read that paragraph. Apply its two key explanatory points to show why, for example, customers will buy more ice cream when the price is cut.)

On the supply side, the situation is reversed. Here, as prices rise, we will expect producers to bring more to the market place. This is true both for (1) those producers who are already in the business and who feel they can profitably produce more to sell at the higher prices and (2) for new producers who will be lured into the field by the brighter prospects for profits.

For old and new producers alike, the key factor in determining the amounts supplied will be their costs of production in relation to the prices at which they expect to sell. The higher the market price, the more costs the producers can cover. Conversely, as prices drop in any field, a few producers who are less efficient than others will soon find that they cannot even cover their costs and will drop out of production. Other producers may still be able to cover their costs, but they will sense that they could do still better by switching to the manufacture of another product, and will do so.

In the previous lesson we looked at a number of factors that might cause a change in demand for any product. Now we can bring supply considerations into the picture to get a fuller view of how markets work.

Let's look at the changes that took place in the supply of ice cream in the city of Metropolis during the summer of 1963. As you recall, May 1963 was cool and rainy in Metropolis and the demand for ice cream between May 1 and June 1 was

Table I
Demand for Ice Cream, May 1 - June 1, 1963

If the price were	Consumers would buy (each week)
.80	50,000 quarts
.75	55,000 "
.70	60,000 "
.65	70,000 "
.60	85,000 "
.55	100,000 "
.50	120,000 "

In this same period, the fifty dairies which manufactured ice cream in Metropolis were willing to supply ice cream as follows:

Table II
Supply of Ice Cream, May 1 - June 1, 1963

If the price were	Producers would be willing to supply (each week)
.80	120,000 quarts
.75	100,000 "
.70	85,000 "
.65	70,000 "
.60	60,000 "
.55	55,000 "
.50	50,000 "

Actually, during the month of May, Metropolis ice cream producers produced 70,000 quarts of ice cream which were sold to the consumer at 65¢ per quart. Can you figure out why?

What would have happened if the price during that month had been fixed, say by government, at 75¢ a quart? At 55¢ a quart?

When the weather suddenly turned hot, the demand for ice cream in Metropolis changed as follows:

Table III
Demand for Ice Cream in Metropolis, Week of June 1 - June 8

If the price were	Consumers would buy (each week)
.80	60,000 quarts
.75	70,000 "
.70	85,000 "
.65	100,000 "
.60	120,000 "
.55	150,000 "
.50	180,000 "

Instead of producing 70,000 quarts of ice cream a week and selling it at 65¢ a quart as in the previous week, the manufacturers produced 85,000 quarts which were sold to consumers at 70¢ a quart. Did this represent a change in supply or was it simply a change in the quantity supplied (i.e., a new supply table, or a movement within the existing table)?

Producers reacted to this change in demand by deciding that, as long as more people were willing to buy ice cream at a higher price, it might now be economic for them to use some of the old ice cream making equipment they haven't been using because of its lower efficiency and higher operating costs. Or some of them may have decided to work their men overtime and pay them higher overtime rates. This would increase the cost of producing each quart of ice cream, but why not if the consumers are now willing to pay enough per quart of ice cream to cover these costs and still leave a profit for the producer? Some might even have decided to buy new equipment to give them greater ice cream making capacity if they thought the demand was likely to stay up long enough to justify this extra investment. Or some milk company that had never produced ice cream before might have decided that, with so many people now willing to buy ice cream at a higher price, this was the time for them to start producing ice cream.

The key point here then is that as demand changed in the hotter weather, producers brought more ice cream to the market. They did this not because the government told them to and not because it was traditional to do it, but rather because the action of the consumers in bidding up the price acted as a signal to producers to increase the stocks in the stores. In their self-interest, producers brought more ice cream to market at the higher price. And in their own self-interest (remember it was hotter!) customers bought more, even at the higher price.

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The rest of this lesson consists of two short cases showing supply factors at work under contrasting but real-life situations. As you read them, keep these questions in mind:

1. Are either or both of these cases an example of supply under conditions of perfect competition?
2. Why was it possible for American manufacturers to produce so many hula hoops in so short a period of time? How did these producers get out of the business so quickly when the fad died? How does this supply story differ from what would happen if there were a sudden fad for private helicopters?
3. What is Madame Utrillo's strategy in the way she is selling her late husband's paintings? Is there anything risky about her strategy?

I. THE CASE OF THE HULA HOOPS

In July, 1958, two men in San Gabriel, California, started the nation spinning into one of the wildest fads of the decade. They invented the hula hoop.

The men, who owned a small firm called the Wham-O Manufacturing Company, secured the assistance of technical men from a major polymer chemical company to design a simple plastic hoop about 30" in diameter. The hoop was meant to be placed about the body at waist height and then kept spinning there by rapid and rhythmical twisting of the hips. A simple enough idea, once somebody had thought of it!

The fad spread at a dizzy pace. And its variations were unending. Some children and adults, too, specialized in seeing how many hoops they could keep going at one time using body, arms, and neck; others entered competitions to see how long they could keep the hoops spinning. There were classes in the fine points of hoopery, health clubs to promote the spinning habit, and "hoop-it-up" parties. Nor was the fad confined to the United States; Paris, London, and Tokyo were soon caught up in it. A Belgian expedition leaving for the Antarctic reportedly took a hoop along for the trip.

The Wham-O Manufacturing Company was not alone in the field for very long. Within two months of the original hoop's appearance, at least twenty companies entered the production field. Manufacturers of piping and hose quickly converted their equipment to turn out the simple extruded plastic hoops. By mid-September, LIFE magazine estimated that twenty million hoops had been sold. In those two months, they represented about $30 million in retail sales. (Hoops sold from as low as $0.79 to as high as $2.50 each.)

As quickly as it came, the fad spent itself. The manufacturers of piping and hose went back to making piping and hose. The retailers left with a large supply of hoops sold them at sacrifice prices; one of them cut his hoops in half and sold them as loops for a decorative garden fence. (⌒⌒⌒⌒⌒⌒⌒⌒) So it was that a few years and 20 million hoops later a child could ask his parents, "What's a hula hoop?"

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II. THE CASE OF THE UTRILLO PAINTINGS

Maurice Utrillo was a French painter whose work so often featured the streets and the buildings of Montmartre in Paris. Typically the colors in his pictures are light; again and again, white buildings bathed in sunlight dominate. While a gallery filled with his works might be somewhat monotonous, each of his pictures by itself has proved very popular. Prints of his work are to be seen in many homes. When he died in 1955, it was known that a large collection of his paintings had still not come into the market for sale. His widow, who had owned the unsold paintings and had managed his affairs for many years, made it clear that she would be offering them for sale only one by one and at a rather slow rate over the years.

UNIT V

KEEPING COMPETITION ALIVE

STATING THE ISSUE

In the last unit we studied the way in which the pricing system works in a completely free market economy. (And, in the case of the Utrillo paintings, we saw a highly restricted market with only one supplier.) In the next unit, we shall look at the pricing system at work in some specific American industries. While Americans sometimes think of their industries as operating under a completely competitive pricing system, or, in other words, within a completely free market, in reality there is no economy so operating, nor has there ever been one. The degree of competition or lack of competition with which American industries operate differs for every industry. One might plot a spectrum ranging from completely competitive to completely monopolistic with every industry represented by a slightly different point on the spectrum.

The unit which you are about to begin carries us beyond any overly simplified view of the economy as either completely competitive or completely monopolistic. It deals with some of the more interesting points along the spectrum between those extremes. The unit has one central purpose: to deepen our understanding of how markets do and do not work in the contemporary American scene. And one moral emerges from this survey: keeping competition alive and socially useful presents baffling problems.

READING XVI

THE MARKET SOCIETY: THE CASE FOR COMPETITION

Sometimes a "model" or simplified picture helps to make an institution or process easier to understand. A model does not pretend to be a picture of the real world with all of its complexities. Instead, it deliberately drops some of the complexities so that a special point can be made. For example, one purpose of a model may be to offer us a benchmark against which we can compare the real world.

"Pure competition" is such a model. There is probably no industry that fits all of the characteristics which the economist associates with pure competition:

- a very large number of producers, each so small in relation to the total size of the market that his production will make no significant difference in either the price or the quantity sold

- an identical product marketed by these producers, so that the consumer has no preference as to which producer he buys from

- easy entrance into this field of production, and easy exit for those who fail in it

- an absence of any collusion on prices, quantities, or quality among these producers.

At the opposite end of the scale, we know of no industry that has all of the characteristics of "pure monopoly":

- one and only one producer of the product
- no satisfactory substitute for this product
- no practical way in which a rival can get into the business.

If these two situations have no real counterparts in the world, why talk about them? They help to orient us to the world around us by providing some fixed benchmarks; a particular industry can be located, at least in a rough way, by seeing how close it comes to or departs from these benchmarks.

Many economists might agree, for example, that some of America's key industries might be classified somewhat as follows:

PURE COMPETITION	MANY SELLERS BUT SOME DISTINCTION IN PRODUCTS	FEW SELLERS	PURE MONOPOLY
Agriculture Coal Cotton textiles	Meat packing Canned foods	Steel Autos Tires Flat glass Cigarettes	Telephone Water Gas

Some of the later lessons in this unit will talk about issues that arise at different points on this spectrum. What happens, for example, when there are just a few sellers and they begin to collude with one another? Or what happens towards the other end of the spectrum when there are so many competitors scrambling for the available markets that some producers are in economic distress but yet do not leave the market?

But first we want to examine the case that is usually offered in favor of a high degree of competition in markets, wherever that competition can be achieved consistent with other goals such as technical efficiency. Americans have gone further than people in any other country in praising competition and in curbing monopoly. In spite of the drift in some industries, our announced position continues to be that, where possible, we want to be closer to the left end of the spectrum above than to the right end. Why is this so?

As you read the next pages from one of the most famous economists that the United States has produced, keep these questions in mind:

1. **What is gained by maintaining competition?**
2. **Are there times when competition is not desirable in markets?**

THE CASE FOR COMPETITION*

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* **From John Maurice Clark, ALTERNATIVE TO SERFDOM (New York: Vintage Books, 1960) as reprinted in Paul A. Samuelson _et al._, READINGS IN ECONOMICS (New York: McGraw-Hill, 1964) 4th ed., 188-190.**

A discussion of competition and at what point competition threatens security. What its value is to the market economy and the necessity for competition to remain dynamic.

READING XVII

SOME CASES OF COMPETITION

Today's lesson is a series of cases--one long and two short--designed to give you a feeling for the practical meaning of competition as it might appear in American businesses large and small. Each case asks you to see the "invisible hand" of competition made visible to individual entrepreneurs. While you are thinking about these cases and trying to get a firmer grasp of competition's meaning to the entrepreneur, remember though that the ultimate impact of this process is on the consumer. That is, few men have argued that competition is designed to make life simpler or better for the entrepreneur already established in a particular field; the argument has been, rather, that competition makes life more rigorous for the businessman and does so in order to advance the consumer's wellbeing.

The Case of the Lemonade Stand

Suppose once again, as in an earlier lesson (Reading XI), that you have decided to set up a lemonade stand outside the park where your local baseball team plays its home games. (We'll assume too that you have the permission of local authorities to do so.) Now let's try to see who your competitors are, what competition amounts to, and how you might meet that competition.

Who are your competitors?

For each of the following businesses, decide whether or not you would consider it to be in competition with you and be prepared to defend your answer.

1. Refreshment stands inside the ballpark.
2. A soft drink stand just like yours but located near another entrance to the park
3. A restaurant one block away
4. A downtown restaurant some two miles away
5. A gasoline service station across the street from you
6. A bar one block away
7. Water fountains inside and outside the ballpark

What will determine how many more competitors come along?

How might each of the following factors play a part in determining whether more lemonade stands just like yours are set up outside the ballpark in the weeks ahead?

1. The price which you charge for your lemonade
2. The winning record of your hometown team
3. The weather
4. The quality of your product
5. The attitude of local authorities towards more small businesses near the ballpark.

How will you react to more competition?

Suppose the owner of a nearby stand just like yours does each of the following things. Which of these would you consider to be fair competition? Which seem unfair? What are the basic criteria you have used to separate "fair" from "unfair"? (Would your classification of any of the tactics change if you had been the first one to use it?)

1. The other owner announces that second glasses of lemonade to any customer will sell at half price.
2. He puts more ice in his lemonade and introduces more expensive paper cups.
3. He starts using fresh lemons rather than bottled lemon juice concentrate.

4. He adds cherry juice to the lemonade and calls it "Cherry Lemon."
5. He adds a tasteless, red vegetable dye and again calls it "Cherry Lemon."
6. He advertises, "You've tried the other ones--now try the pure one."
7. He adds hot dogs to his line of merchandise.

Now suggest what counter-tactics you might pursue to meet each of these moves by your competitor. For each counter-tactic, indicate what effect you would expect this to have on (i) your costs of operating the stand, (ii) your sales, and (iii) your profits.

The Case of the Cossack Jackets

This case is less structured. Suppose now that you operate a somewhat bigger business. You manufacture clothing for teenagers. You recently produced a nylon jacket designed, in cut and color patterns, to look like the coats worn by Cossacks. Somewhat to your surprise, the jackets are a great success and you are selling them as quickly as your factory can turn them out.

Using the kinds of points raised under each part of the previous case on lemonade stands, offer a preliminary analysis of each of these questions:

-- who will your competitors be?
-- what will determine how many new competitors come along?
-- how might you successfully meet the competition that arises?

The Case of the Steel Producer

This case is like the previous one. Now you are the chief executive of a major steel producing firm.

-- whom would you consider to be your competitors?
-- what will determine how many new competitors come along?
-- what might you do in the face of this competition and what consequences would you expect from these actions?

READING XVIII

PROBLEMS IN MAINTAINING A COMPETITIVE MARKET SYSTEM: AGRICULTURE

The agricultural industry might well be termed the most striking paradox of the American economy. A near-perfect description of an industry with characteristics suitable for maintaining a competitive market, the agricultural industry has become critically dependent upon government control. In an attempt to help you gain insight into how this contradiction came about, today's reading will consist of a set of problems. These problems describe actual historical developments within the American agricultural industry. To gain insight into why the events described resulted in particular economic problems, start by listing those characteristics of the agricultural industry which make that industry particularly adaptable to a competitive market. Before making this list, refer back to Reading XVI. What are the characteristics of a competitive market? How accurately do these characteristics describe the agricultural industry? As you analyze each problem, ask yourself the following questions.

1. **How can each one of the factors described in these problems be fitted into the demand and supply analysis of recent readings? (Prove to yourself that "demand" and "supply" can be thought of as two filing drawers into which you can place market changes for easier and more orderly analysis.)**
2. **What factors worked against the maintenance of a free competitive market with the agricultural industry?**

Problem I

During the first two centuries of American history, the farmer became a symbol of hard manual labor and independence. About the middle of the nineteenth century, mechanization introduced new methods in farming -- as farm machinery became more and more common, the farmer needed more and more acres to farm profitably.

In what way would this development affect competition within the agricultural industry?

Problem II

From 1900 to 1910, the non-rural population of the United States grew by 40%.

How would this growth affect the agricultural industry?

Problem III

During World War I, the United States became a leading food producer for the warring nations. To stimulate production, a minimum price for vital crops, such as wheat, was established by the newly created Food Administration headed by Herbert Hoover. Farm acreage under cultivation increased greatly.

How would this affect the agricultural industry?

Problem IV

During the 1920s, several events affected the agricultural industry. Consider the conseqeunces of each event individually. Then, envision, if you can, the total impact of all of these events occurring simultaneously.

A. Nations dependent upon the United States for much of their food supply during World War I became agriculturally independent once again and began competing again for world food markets.

B. Gasoline-powered farm equipment replaced much of the horse-drawn machinery of prewar days. The number of farm tractors in use increased from 230,000 in 1920 to 920,000 in 1930. New machinery made it possible for one man to do farmwork that formerly required the labor of fifty men.

C. Improved strains of seed, better fertilizers, and insect control yielded better and heavier crops on identical acreage.

D. During the 1920s farm acreage under cultivation expanded.

E. Legislation restricting immigration curtailed the flow of immigrants to the United States.

F. The displacement of 8 million horses by automobiles, trucks and tractors released for other types of agricultural production some 35 million acres of farmland formerly required to grow feed for animals.

G. While farm prices rose 34% between 1910 and 1924, the price of manufactured goods (including the goods that farmers themselves bought) rose 60%.

H. In the fall of 1929, the United States and much of the industrially developed world entered one of the most devasting depressions of all times.

How would these events, individually and collectively, affect the agricultural industry?

Problem V

1. In 1932, somewhere between 13 and 15 million Americans were unemployed.

2. In the early 1930s, many of those fortunate enough to have jobs suffered substantial cuts in wages or hours.

3. By the spring of 1933, farm prices fell 64% below their 1929 level. By the spring of 1933, prices of manufactured goods fell 34% below their 1929 level.

4. Farm families' cash income dropped from $11 billion in 1929 to $5 billion in 1932.

5. Due to faulty agricultural practices of previous decades, millions of acres of western land were ruined. Dust storms blew away thin topsoil and thousands of farms were abandoned. Hundreds of thousands of farmers lost their land and were reduced to the status of migratory agricultural laborers.

How would these events affect the agricultural industry?

Problem VI

1. The Agricultural Adjustment Act of 1933 authorized the Secretary of Agriculture to pay farmers to reduce the acreage of crops already produced in such abundance that prices would have had to drop still further in order to find customers to buy all that was available for sale. Cotton producers were paid $113 million to plow under 10.4 million acres of land already planted.

2. The Soil Erosion Act of 1935 authorized the Secretary of Agriculture to make payments to farmers who employed methods to prevent erosion and restore soil fertility.

3. The Agricultural Adjustment Act of 1938 introduced the concept of parity prices. Parity represented a price relationship between farm products and manufactured goods, guaranteeing the farmer a price which would insure his receiving for his crop a return sufficient to purchase as many manufactured goods as the return on an equivalent crop would have purchased during a stated period, usually 1910-1914.

Through parity, the government guaranteed the farmer a minimum price on twenty basic commodities. If the market price went above the parity price set by the government -- the farmer was free to sell his entire output at the higher market price. If the market price fell below parity, the government agreed to pay the farmer the difference between parity and the lower market price. If, in addition, the farmer was unable to sell his total production of these basic commodities on the open market, the government agreed to buy at parity and store his surplus production.

How would this legislation affect the agricultural industry?

Problem VII

During World War II, American farmers harvested the largest crops in American agricultural history. Farm income doubled between 1940 and 1943. Total farm income increased from less than $5 billion in 1932 to over $70 billion in 1943. Agriculture was more prosperous than it had been in a generation. But farm labor was scarce because of the military draft and the lure of high wages in war plants; as a result, farmers found it attractive to introduce more productivity-increasing machinery on their farms.

How would this prosperity affect the agricultural industry?

Problem VIII

In 1956 Congress passed the Soil Bank Act. This act provided for paying farmers a large proportion of what their land might be expected to produce on condition that they withhold it from production.

How would this affect the agricultural industry?

Problem IX

In 1964, the U.S. Supreme Court issued a sweeping order that many people believe will force the states to maintain more equally sized legislative districts than had been true in the past. Typically farm areas have been overrepresented in many states and sometimes in the U.S. Congress too, and urban and suburban areas have been underrepresented.

How will this court decision affect the agricultural industry?

On the basis of the nine problems presented in today's reading, write a short paragraph explaining why pricing practices in the American agricultural industry deviated from a competitive market system to one very dependent upon government assistance. Bring this paragraph to class with you tomorrow.

Glossary:

parity - the relationship between the prices received by farmers for their products and the prices paid by farmers for their purchases during some past period, usually 1910-1914.

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Reading XIX

MAINTAINING A COMPETITIVE MARKET SYSTEM -- PROBLEM AREAS:

THE STEEL INDUSTRY (AN OLIGOPOLY)

In looking at the agricultural situation, we were studying an industry that, despite -- or because of? -- a high degree of competition, had serious enough difficulties to lead to governmental interference in free markets. Many American industries, unlike agriculture, lack many or all of the characteristics normally considered parts of pure competition. Today's lesson looks at one of these industries and shows that there are problems there too.

In some industries, no firm is likely to survive unless it can reach a size in plant and production sufficient to permit it to take advantage of the best technology and the best marketing methods. When the investment required to reach this size is very large, it may be true that only a few firms can survive. Such an industry with only a few producers in it is called an "oligopoly." (Greek for "few sellers." Contrast "monopoly" = "one seller")

Three companies -- General Motors, Ford, and Chrysler -- make nearly all the automobiles in the United States. They constitute an oligopoly. Over 75 per cent of sales in their respective industries are made by the top four producers in cigarettes, linoleum and rubber tires. In many other major American industries, half to three-fourths of the total business is done by fewer than ten firms. All of these are oligopolies. The few large companies dominate economic decision-making in those industries. The other, smaller firms participating in the industry must ordinarily be willing to go along with the decisions made by the few. Conditions that might lead to development of an oligopoly within an industry are:

1. Capital requirements are relatively large, constituting an obstacle to the entry of new firms.

2. Large-scale production is necessary for low-cost output.

In today's reading, we are going to examine pricing practices of the steel industry, an oligopoly. Here is an industry which falls somewhat towards the monopoly end of our spectrum of market structures, but note that there may still be vigorous competition between steel and other products (aluminum, glass, plastics, concrete) and, occasionally, between steel companies themselves as they fight for market shares. When you have finished reading, write the answers to these questions:

1. How does the relationship between one steel firm and another one differ from that between one farmer and another? Why must steel companies be so very conscious of one another's activities?
2. How large a part do the forces of supply and demand play in setting prices within the steel industry?

On April 10, 1962 a price increase was announced by the United States Steel Corporation in a statement issued by Leslie B. Worthington, president of the company, and the man who went to the White House at 5:45 that evening to tell the President of the United States about the increase. In part Worthington said:

> "Since our last over-all adjustment in the summer of 1958, the level of steel prices has not been increased, but, if anything, has declined somewhat. This situation, in the face of steadily mounting production costs which have included four increases in steelworker wages and benefits prior to the end of last year, has been due to the competitive pressures from domestic producers and from imports of foreign-made steel, as well as from other materials which are used as substitutes for steel. ...
>
> "...taking into account all the competitive factors affecting the market for steel, we have reluctantly concluded that a modest price adjustment can no longer be avoided in the light of the production-cost increases that have made it necessary."

On April 11, the day after U.S. Steel's announcement, President Kennedy held a news conference. He began with the following statement:

> "The simultaneous and identical actions of United States Steel and other leading steel corporations increasing steel prices by some $6 a ton constitute a wholly unjustifiable and irresponsible defiance of the public interest.
>
> "In this serious hour in our nation's history, when we are confronted with grave crises in Berlin and Southeast Asia, when we are devoting our energies to economic recovery and stability, when we are asking reservists to leave their homes and families for months on end, and servicemen to risk their lives...and

> asking union members to hold down their wage requests, at a time when restraint and sacrifice are being asked of every citizen, the American people will find it hard, as I do, to accept a situation in which a tiny handful of steel executives whose pursuit of private power and profit exceeds their sense of public responsibility can show such utter contempt for the interests of 185 million Americans. ..."

Two readings in this lesson:

Wallace Carroll, "Steel: A 72-Hour Drama with an All-Star Cast," NEW YORK TIMES, April 23, 1962.

> Report of President Kennedy's pressure against Big Steel, forcing them to roll back a price rise in the interest of the national economy.

Richard Austin Smith, "Behind U.S. Steel's Price Blunder," FORTUNE, August 1962, 75+.

> A "Monday morning quarterback's" look at the U.S. Steel price-rise fiasco, in terms of the price-leader role of U.S. Steel in a competitive market.

Reading XX

PRICE FIXING

Recent lessons have illustrated a fascinating point about the American economy. While professing to believe in competition, we have still been ingenious in seeking ways to escape it:

- -- the history of farm legislation since the 1930s is full of examples of attempts to cushion farmers against the market place
- -- the story of pricing in steel is, in part, one of the search for a system of stable price leadership under which individual firms will follow the pattern set by a giant rather than cut one another's throats in price wars.

These represent attitudes that seem to say, "We believe in competition, but ...."

All of these earlier lessons discussed practices that were either legal already or that the parties were trying to make legal. (The steel companies did not meet to collude on prices; they watched one another and then acted in their individual self interests.) Today's lesson goes further; it talks about the attempt of some key firms to achieve protection against competition's rigors by simply -- and, for a while, secretly -- breaking the law. This is not a story of price leadership, but of outright collusion in defiance of the Sherman Anti-Trust Act of 1890 and of later laws which forbade monopoly, attempts to monopolize, and "conspiracies in restraint of trade."

Why and how this happened among some of the most prominent firms in the nation is a major story in modern economics. Above all, it seems to illustrate that competition is not self-policing. A nation that believes in the advantages of competition, both to check possible abuses by individual firms and to spur progress, will have to be vigilant to keep that competition alive.

As you read, consider the following questions:

1. **In what way did the price-fixing of the electrical equipment companies differ from the price leadership of the steel companies?**
2. **Why did the electrical companies not want to permit the market to determine prices in the electrical equipment industry?**

THE INCREDIBLE ELECTRICAL CONSPIRACY *

*** Richard Austin Smith, "The Incredible Electrical Conspiracy," FORTUNE, April, 1961, 132+.**

Corporate power and corporate ethics discussed in terms of the criminal case against our largest electrical corporations on trial for collusion in price fixing under the Sherman Act.

Glossary:

1. **price fixing - agreement among competitors on prices that will be charged for specified products**
2. **cartel - a voluntary combination of independent private enterprises supplying similar commodities or services that agree to limit their competitive activities**
3. **collusion - a secret agreement, especially one that is considered illegal for any reason**
4. **book price - the price of something as shown in or according to the account books of a business**

2

Reading XXI

MAINTAINING A COMPETITIVE MARKET SYSTEM -- PROBLEM AREAS:

WHEN THE MARKET MECHANISM FAILS AS A RATIONING DEVICE

We have now examined the way in which prices in a market economy are established by the interplay of supply and demand under theoretically pure competition. We have seen a highly competitive industry (agriculture) deviate from a pricing system relying on market forces toward a pricing system based, to a large extent, on government control. We have analyzed the forces that encourage oligopolies to stabilize prices and we have seen examples of both their legal and illegal pricing practices in the American economy.

In looking at these specific kinds of markets, we must not lose sight of our overall interest: markets are of interest to us because they are ways of communicating signals between buyers and sellers (how much will customers pay for a certain type of pastry? what price will induce bakers to bring a certain quantity of that pastry onto the market?), and of allocating our limited resources among our unlimited ends.

This allocating function is critical in economic analysis. Where prices move freely in markets, the problem solves itself. The price of any product will settle at a level where the number of units that customers will buy at that level just equals the number that producers will bring to the market. Everybody is happy in the sense that no customers willing to pay that price need go away empty-handed, and no producers willing to sell at that price are left with loaded shelves. (Of course, customers might like lower prices and producers would surely like higher ones; but their contrasting likes produce an unstable imbalance at every point except the one described above.)

Maybe the best way to see the smoothness and the implications of markets as allocators is to see what happens when, for any reason, we do not permit markets to function freely. What happens, for example, if prices are pegged so high that there are constantly more products brought to market than consumers will buy? How then are the available customers rationed up or allocated among the many sellers? Or what happens if prices are pegged so low that far more customers want the goods than suppliers are willing to satisfy? How are the limited supplies allocated among the buyers?

This lesson introduces a number of exercises involving real or hypothetical interferences with markets. But each one has the indirect object of making free market mechanisms more intelligible as allocating devices.

As you read the following cases in which rationing is not left to the devices of the market, consider the following questions:

1. What are the particular circumstances in each case that inhibit the market mechanism from working satisfactorily?
2. Do these cases imply any generalizations that might be made concerning the circumstances under which the market mechanism is a good device for rationing? Circumstances under which the market mechanism is a poor device for rationing?

A. The Case of World War II

During the Second World War, both consumer and production goods were in short supply relative to the greatly increased demand. Since, by 1942, we were using our productive capacity almost to the limit, price increases could not stimulate corresponding increases in the supply of goods. More and more demand for goods, goods with which to fight the war and goods with which to meet the increased demands of civilians who now had better-paying jobs than ever, simply meant higher and higher prices for the available goods.

Our government believed that such uncontrolled price rises (i.e., inflation) would endanger the economy and would prove unfair in their burden on some groups in the war period. For this reason price ceilings were imposed. The government set the highest price at which a product could be sold. It was illegal to sell it for more. But if prices were not to be allowed to ration goods, how would you divide up the short supply of available goods among the many wanting them and now able to afford them? The answer on some goods was simply to issue priority certificates to a few selected people whose need concerned the general welfare or prosecution of the war. For instance, physicians were among the few civilians permitted to buy new automobiles since their access to immediate transportation was deemed essential. For other goods, such as food and gasoline, ration coupons were issued to all consumers to ensure everyone's getting an equal share of what was available. To buy a gallon of gasoline, a man had to have the money (as always) but he also had to have a ration coupon, and the number of coupons presumably equalled the total number of gallons available for sale.

Within the scope of such a program, envision the consequences of the following:

1. A small, neighborhood grocer has catered to a select clientele for many years. He is deluged with complaints from his regular customers because under present rationing restrictions they are unable to obtain adequate meat supplies to prepare the type of meals to which they are accustomed.

2. General Dwight D. Eisenhower, commander of the Allied invasion forces, predicts that the end of the European war will come within a few short months.

3. A manufacturer of aluminum kitchen furniture is being forced out of business because of his inability to convince the government of his need for a high enough priority to purchase the aluminum he needs to stay in business. A very close personal friend is the sales manager of an aluminum processing plant.

4. A rumor is circulated that tea, which has not previously been rationed, is going to be added to the list of rationed goods by the end of the current month.

5. A law is passed permitting margarine to be colored yellow before being offered for sale as a butter substitute.

6. The war ends, and all rationing programs are immediately ended.

* * * * * * * * * *

B. The Case of the World Series

Your favorite baseball team has won its league's pennant and is faced by the happy prospect of participating in the World Series. Your stadium has a fixed seating capacity, of course, yet every baseball fan within a hundred miles of your city wants a ticket to the Series even if they never come to see the team play during the regular season play. The management of the winning club must decide how best to handle the sale of Series tickets. It has several alternatives open to it. Consider the consequences of each:

1. It can sell all tickets on the open market and sell them to the highest bidders.

2. It can offer the tickets to the club's season ticket holders first, putting the remainder on the open market.

3. It can fix the price of tickets, selling them in unlimited quantities to purchasers on a first-come, first-serve basis.

4. It can fix the price of the tickets, selling a limited number (possibly only one or two) to purchasers on a first-come, first-served basis.

5. It can pray for rain.

The cases considered in today's lesson represent but two of the areas in the American economy in which the rationing of goods is not determined by the operation of a competitive market mechanism. Can you find others?

Glossary:

1. **rationing - the basic function of allocating scarce goods among alternative uses and scarce factors of production among alternative types of production.**
2. **inflation - a general rise in prices**

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READING XXII

THE MARKET ECONOMY: A SUMMING UP

We have looked in recent lessons at some aspects of the American economy. We treated it not as a pure type of market economy because it certainly is not one, but as a shifting point along a spectrum of systems. We placed it over towards the end of the scale marked by reliance on decentralized decision-making in markets, but saw that it had some elements of centralized planning and direction too.

It is time now to shift to look at another society, again not as a pure type at one polar point of the spectrum but as a mixed society. The Soviet Union is certainly further along the spectrum towards full planning than we are but, as we shall see, there is more to their economy than that. Before we shift our focus however, it is well to take another look at ourselves. Today's lesson does this by asking about the relevance of Adam Smith, the most famous exponent of the pure market society, for 20th century U.S.A.

As you read the lesson, think about these questions:

1. **What are the major advantages and disadvantages that have come to us through our changing emphasis on government in the economy?**
2. **How well could the pure market system meet our new problems?**

WHATEVER BECAME OF ADAM SMITH?

"Well, they may have started off together -- but they've sure drifted a long way apart ever since." The speaker was talking not about two individuals but about two of men's most important documents, both born in 1776. One was the Declaration of Independence in the New World, and one was Adam Smith's THE WEALTH OF NATIONS in the Old World.

These two documents of 1776 are useful to talk about together because each says so much about the American experiment. The Declaration of Independence set in motion events which were to give the United States its chance to shape its own political destiny and to build a democratic society placing heavy emphasis on the rights of the individual to choose his own destiny. THE WEALTH OF NATIONS provided the intellectual underpinning or support for the economic ideas that were to become dominant in the new society. Maybe no one who signed the Declaration of Independence had yet heard of Adam Smith, but his influence was great in the years thereafter.

Seen against the backdrop of economic ideas that prevailed before Smith wrote, THE WEALTH OF NATIONS was revolutionary. The book may be seen as an attack on the orthodoxy of "mercantilism" that had so long held key parts of Western Europe in its grip. Mercantilism was a protective philosophy that sought to move an economy from emphasis on agriculture to emphasis on industry through use of the powers of the state. To effect this change, the state had to protect industry against outsiders in other economies and to regulate industry's activities for effective growth, said the mercantilists.

Not so, said Adam Smith. Put man on his own and not under the protection of a planning, prodding government and he will achieve wonders that the world had never seen. The core of Smith's radical emphasis was in three propositions:

- men are most effectively motivated by self-interest; that self-interest, far from being deplored and smothered, should be encouraged to the end that men would want to move ahead according to their own lights.

- men are most effectively regulated in pursuit of their self-interest by the forces of competition; the abuse of power by a producer is a real enough possibility, but it is best guarded against by making sure that the customer always has alternative sources of supply to which he may turn.

- the best role for government is a minimal one; government must keep the peace and must check to see that the competitive game goes on, but, beyond that, laissez-faire is the best policy.

This was the rationale for the market society. And nowhere in the world did that rationale prove more powerful than in the United States. Here was man's great testing-ground for the new ideas of economic liberty.

But now we are being told that the United States has abandoned Smith. The lament is heard that, in the middle thirty years of the twentieth century, we have turned from laissez-faire and free markets and competition towards government intervention and protection. No one denies that we have the richest society in the world. But that was the product of the free past, according to this line of argument. Now we are on the road to ruin.

Is Smith dead?

The surface evidence is convincing enough. Play the alphabet game, by simply listing the new regulatory agencies and institutions that impinge upon our economic life: the F.T.C. (Federal Trade Commission), F.P.C. (Federal Power Commission), F.C.C. (Federal Communications Commission), S.E.C. (Securities Exchange Commission), F.D.A. (Food and Drug Administration), F.H.A. (Federal Housing Agency), C.A.B. (Civil Aeronautics Board), N.L.R.B. (National Labor Relations Board, as so on through countless more combinations of letters until one ends with J.F.K. and L.B.J. Government today is a regulator, producer, subsidizer, taxer, protector, educator, seller, and buyer. And what would Smith have thought of that?

* * * * * * * *

The role of government has been expanding in this century without any doubt. But, before one can conclude what this says about the relevance of Smith today, he had better pause to ask why that governmental role has grown. Once he does that, he may not be so sure that the father of laissez-faire economics would deplore our actions.

Government is bigger today for at least four broad reasons:

1. National defense
   Smith saw the case for governmental action here as clearly as we do. What he could not foresee was the size of the job in a technologically changed world. National defense today accounts for half of the Federal Government's spending of $100 billions each year; some large part of that spending is accounted for by the sheer magnitude of the job in developing nuclear weapons, in developing protection against others' nuclear weapons, and in seeking leadership in outer space.

2. Large scale industry
   Again, Smith saw the need for government to call certain rules to keep the forces of competition at work. What he could not foresee was the growth of large scale industry, both because

of new technology and new markets. Hence he had little chance to anticipate the delicate areas where governmental intervention is not particularly costly in direct dollar terms (the budget for the Anti-Trust Division of the Department of Justice isn't that big) but where it seems to the businessman to impinge most directly on his conduct. We are frankly engaged in a kind of balancing act: we want competition but we want big business too. And the resultant task of keeping competition alive among small numbers of giant firms in so many industries is bound to be difficult -- and irritating too at times. But what alternative to a major policing job for government when the evidence seems clear that competition may die when there is no policeman around? And where competition cannot work, as in some utilities, what alternative do we have to government as the regulator of prices and production?

3. Emphasis on human rights alongside property rights
Here we are into a more controversial area. Smith would surely assert that he cared as much for human rights as any of us do; he would have added that those rights are best taken care of by the free markets. In truth, we still agree with him to a very large extent. Many of our most essential human rights are enhanced and guarded primarily by market forces; for example, most job placements occur without any significant intervention by government. What we have done however is to soften or temper the workings of the free markets at some fringe points; for example, we have passed laws that forbid some kinds of discrimination in those job placements or that set minimum wages to be paid on the jobs. Every such law raises legitimate doubts in some men's minds even as it seems to other men to represent a humane advance over the completely free market. But hopefully Smith might see, amidst all the debate on the "welfare state," that market mechanisms still govern the bulk of the transactions in our economy. We are tinkering with, not abandoning, markets.

4. New social concerns
Finally, Smith could scarcely have foreseen some of the social challenges raised by heavy concentrations of people in a technologically explosive world. He who championed smallness and the retention of economic decisions as close to home as possible might be as nonplussed as we are by problems, for example, of our metropolitan areas. A multiplicity of separate decision-making units, an increased interdependence of one unit with another, a rapid increase in the numbers of people living close together, and a sort of planlessness that communities inherited from the laissez-faire tradition -- all these things combine to make today's metropolitan area problems urgent public business.

> **We have come to a point here and elsewhere where many Americans, still believing deeply that government should only do what individuals cannot do as well for themselves, are willing to conclude that this test will produce some answers different from those of the past.**

*** * * * * * * ***

Where then do we come out? How relevant is Adam Smith for us today?

There is a shift in our economy towards new responsibilities for government. But this is a matter of degree. We did not at any time start with a laissez-faire society (which may mean that Smith might never have put his stamp of approval on us anyway), and we are scarcely in a headlong flight from it today. Bit by bit, we are still experimenting in the search for a society that takes the best elements of free markets and adds to them some restraints or improvements in the interest of some cause not served well enough by laissez-faire.

Adam Smith would recognize and applaud much in our economy. He would be puzzled and dismayed by some other aspects. But maybe he would have the tolerance to see that we are still in the process of changing. Nothing much is fixed yet. And maybe he could share some of our own mixed feelings about this mixed economy. These are the same feelings that Robert McCloskey sums up in describing the cottagers' departure from Maine at the end of the summer in TIME OF WONDER: "A little bit sad about the place you're leaving; a little bit glad about the place you're going."

Glossary:

mercantilism - an economic theory based on the need for government control and protection of economic activities

laissez-faire - a policy of no governmental interference in the economy

UNIT VI

THE COMMAND ECONOMY

STATING THE ISSUE

We have now examined two ways societies have chosen to answer the basic economic question: "What shall we produce?" In a strictly traditional society, custom would dictate the answers. In a pure market economy, consumer choice operating through a price mechanism would provide the answers. We are now going to turn our attention to how this questions is answered in a command economy.

Just as there are no societies that always operate within traditional or market patterns, there is no country that constantly functions by command. But again, there are societies where most economic decisions are made by a select group of individuals whose responsibility it is to plan the economic course that society will follow.

The United States served as an example to illustrate the problems connected with maintaining a market economy. In the next unit, the Soviet Union will illustrate the problems of planning in a command economy. Before we discuss the specific problems confronting the Soviet economic planners, we are going to spend the next five class periods playing an economic planning game that will introduce some of the complexities with which any planners must contend.

Reading XXIII

ECONOMIC PLANNING

For the next five class periods, you are going to become an economic planner for a command economy. Each of you will be assigned a nation having specific economic resources. As a planner, it will be up to you to allocate your resources so cleverly that your nation will, at the end of the game, have a higher standard of living or a higher production level than all other nations.

As you play this game in class, your nightly reading assignments will introduce you to the problems faced by economic planners in the Soviet Union. At the end of this unit you will be asked to evaluate the problems of planning and to suggest solutions.

For tomorrow, read the instructions for playing the Economic Planning Game. Come to class prepared to start play. You will be assigned your nation at the beginning of class tomorrow.

A SIMULATION OF PLANNED ECONOMICS
A CLASSROOM GAME

Instructions--Section A

The purpose of this game is to introduce the student to the intricacies of economic planning. Since planning in the real world is so complex that any attempt to simulate a completely realistic situation would result in a game too involved to be played without computers, economic factors have been simplified. However, an attempt has been made to simulate as closely as possible a real economy. It is hoped that the result will be a game which proves to be a meaningful learning experience and an interesting classroom activity.

This game can be played by any number of students. For the playing of the game, each student represents a single nation, assigned by number. Each student should name his own nation. It is suggested that names of real nations should not be used. In your classroom world, each nation is assigned to one of three blocs. Each bloc should have an equal number of nations if possible.

Nations vary in population, wealth, and potential rate of growth. Statistics for each nation are given in Section B of these instructions. Statistics pertinent to a particular nation are identified by the number assigned that nation at the beginning of game play. Statistics are given for 36 individual nations. Only as many numbers should be assigned as there are students playing the game. If there are more than 36 students playing, any number can be assigned more than once.

Playing Procedures

1. Each student represents one nation and is known as that country's Chief Decision Maker. Each student will name his own country. It is suggested that names of real countries should not be used.

2. Each nation belongs to one of three predetermined blocs of nations. Nations assigned numbers 1-12 belong to bloc A; nations assigned numbers 13-24 belong to bloc B; nations assigned numbers 25-36 belong to bloc C. Nations should be assigned to students in the following order: 1, 13, 25; 2, 14, 26; 3, 15, 27; etc. This will insure blocs' being as equal in size as possible.

3. Completion of a single game will involve five playing days. Each day's play represents one year of planning.

4. A nation may win the game in one of the following ways:

   a. by reaching a higher standard of living than any other country
   b. by reaching a higher level of capital production than any other country
   c. by having a higher military capability than any other country

   A game may end with as many as three separate winners. At the end of the fifth day, results should be totaled and winners announced. At the beginning of each day's play, the comparative standing of nations should be posted for all to see.

5. At the beginning of each day of play each nation will be given a Planning Form on which current yearly planning for that nation's economy will be completed. Although in the real world a country's economy deals with the allocation of three types of resources -- natural, human and capital -- in this game a country's natural resources will always remain constant and economic allocation decisions will be limited to human and capital resources. This is done to keep at a classroom level, the necessary computation resulting from resource allocation.

6. Game play begins by each nation's allocating his human and capital resources among the following:

   a. Consumer Goods Production
   b. Capital Goods Production
   c. Military Production

   Each nation allocates its human resources first by deciding how much of its population will work in Consumer Goods Production; how much in Capital Goods Production; how much in Military Production. Each nation has a choice of twelve different levels of allocation as indicated in Table VI, Section B of these instructions. The amount of population allocated to a particular type of production determines the rate at which each unit of capital resources allocated to that particular type of production will produce. In each bloc of nations two nations share identical rates of production. The rates of production for all other nations vary.

7. Each nation calculates its projected production figures for the current year, based on its allocation of resources.

8. Trade Agreements may be negotiated only with countries in the same bloc as the nation initiating the trade. Trade agreements are made in terms of goods produced rather than resources. Any nation (A) wishing to trade one product for another may do so by indicating the desired trade on a trading slip obtained from the instructor (known during game play as Chief World Bank Teller). The Chief World Bank Teller will post the desired exchange on the board, indicating the bloc alignment of the nation initiating the trade. Any country within that bloc finding the terms of the trade desirable will indicate its willingness to trade through the Chief World Bank Teller and the trade made will be indicated on the board. If no country desires to trade at the terms set by Nation A, nations willing to negotiate a trade at more favorable terms can indicate a desire to meet directly with Nation A to so negotiate.

9. Military Agreements. A nation may declare war on any nation not in its own bloc. After war is declared, nations may form alliances only with those nations within their own bloc. Wars are fought one day after the declaration of war. Procedures for fighting a war are as follows:

   a. War is declared by a nation's depositing a Declaration of War form at the World Bank at the same time that its Planning Form is deposited. The nation declaring war must specify the country against which it is declaring war.

   b. When Declaration of War forms are deposited with the World Bank, the World Bank Teller will post a notice on the board that war has been declared. The notice should indicate the name of the nation declaring war and the name of the nation against which war has been declared.

   c. Once war has been declared nations may form military alliances with other nations within their own bloc. A military alliance means nations agree to contribute all of their military capability to the war effort. Any nation engaging in a war must commit its full military capability to that war.

   d. Alliances must be formed between class periods. When a war has been declared, both major parties to the war must be prepared to deposit with the World Bank a list of their allies at the very beginning of the next day's period. The Chief World Bank Teller will immediately add the military capabilities of the allied nations and indicate on the board the comparative strength of the warring factions.

e. If neither alliance has more than twice the military capability of the other, the ratio of their abilities is set at 1:1. If this is the case, the strongest nation of the stronger alliance will draw one of two war cards, one of which states a win, the other a loss. This draw will determine the winner.

f. If one alliance has over twice but less than four times the military capability of the other, the odds for victory for the stronger alliance are 2:1. The strongest nation of the stronger alliance draws one of three cards -- two of which declare victory, one defeat.

g. If one alliance has more than four times the military capability of the other, it automatically wins the war.

h. Victorious nations lose none of their resources contributed to the war effort through an automatic system of reparations. Losing nations lose 25% of their capital resources and 50% of their military capability. No nation may engage in war against another more than once in the 5-year period of a game.

10. Internal Revolt. When a nation's standard of living falls below its indicated revolt level, internal revolt is automatic. If a nation falls below its revolt level by 25% or less, all production is decreased by 25%. If a nation falls more than 25% below its revolt level, all production is decreased 50%. The wealthier nations of a bloc may give economic assistance to a country faced with internal revolt if they wish.

11. Subversion. A nation may allocate capital resources for the subversion of other nations. When a nation chooses to try to win by subverting others, it must fill in and deposit with the Chief World Bank Teller a subversion form. All damage due to subversion is done to production, none to inventory. The subversion chart, Table VII, Section B of these instructions, indicates the amount of subversion damage that will result from the allocation of a specified amount of capital resources.

12. When a nation has indicated all of its decisions for the current year by completing its portion of the Planning Form, it will pick a random chance card kept on deposit at the World Bank. This card will indicate unforeseen circumstances which affected that nation's economy during the year. The chance card, the nation's planning form, and any other forms (trading, war, or subversion) pertaining to that nation's activities during the current year are then deposited at the World Bank.

As each nation completes its planning, its Chief Decision Maker joins the staff of the World Bank as a teller. World Bank Tellers calculate the actual economic status of each nation at the end of each year. No teller should be assigned calculations for his own nation. A nation's actual economic status will depend upon the planning of its Chief Decision Maker, chance, and the external activities of other nations. All Chief Decision Makers must deposit their Planning Forms at the World Bank no later than fifteen minutes prior to the end of the period.

13. The Chief World Bank Teller should act as clearing house for all forms deposited at the World Bank. When a teller is assigned to calculating a nation's actual economic status at the end of a year, he should be given that nation's Planning Form, the chance card drawn by that nation, any form indicating subversion against that nation, and any information concerning war losses pertinent to that nation's economy.

14. Completed forms should be left on deposit with the Chief World Bank Teller at the end of each day.

15. At the beginning of the next day's play, the Chief World Bank Teller will return to each nation its completed form indicating its actual economic standing at the end of the last year. Figures for the beginning of the current year will be those with which the past year ended.

16. Each student should be given a set of instructions and a sample Planning Form on the day before game play is to begin. These instructions should be read as part of the homework assignment.

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Instructions - Section B

Statistical Section

Table I
Bloc Alliance of Individual Nations

Nations	Bloc
1 - 12	A
13 - 24	B
25 - 36	C

Table II
Standard of Living at Beginning of Game

Nations 1 - 12	(Bloc A)	.02
Nations 13 - 24	(Bloc II)	.01
Nations 25 - 36	(Bloc III)	.005

Table III
Military Capability at Beginning of Game
(each unit indicates possession of one million dollars worth of military goods)

Nation	Military Capability	Nation	Military Capability	Nation	Military Capability
1 & 7	28	13 & 19	20	25 & 31	16
2 & 8	20	14 & 20	16	26 & 32	12
3 & 9	16	15 & 21	12	27 & 33	8
4 & 10	12	16 & 22	8	28 & 34	6
5 & 11	8	17 & 23	4	29 & 35	4
6 & 12	4	18 & 24	2	30 & 36	2

Table IV
Capital Goods Inventory at Beginning of Game
(Each unit indicates one billion dollars worth of inventory)

Nation	Capital Goods Inventory	Nation	Capital Goods Inventory	Nation	Capital Goods Inventory
1 & 7	7	13 & 19	5	25 & 31	4
2 & 8	5	14 & 20	4	26 & 32	3
3 & 9	4	15 & 21	3	27 & 33	2
4 & 10	3	16 & 22	2	28 & 34	1.5
5 & 11	2	17 & 23	1	29 & 35	1
6 & 12	1	18 & 24	.5	30 & 36	.3

Table V
Population of Each Nation at Beginning of Game
(in hundreds of thousands)

Nation	Population	Nation	Population	Nation	Population
1 & 7	175	13 & 19	250	25 & 31	400
2 & 8	125	14 & 20	200	26 & 32	300
3 & 9	100	15 & 21	150	27 & 33	200
4 & 10	75	16 & 22	100	28 & 34	150
5 & 11	50	17 & 23	50	29 & 35	100
6 & 12	25	18 & 24	25	30 & 36	50

Table VI Nations 1 & 7
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
8.75	.4	.065	.3
17.5	.7	.125	.5
24.25	1.0	.18	.7
35	1.2	.23	.9
52.5	1.5	.3	1.2
70	1.8	.35	1.5
87.5	2.0	.39	1.7
105	2.2	.42	1.9
122.5	2.4	.45	2.0
140	2.5	.47	2.1
157.5	2.6	.48	2.0
175	2.6	.47	1.9

Table VI Nations 2 & 8
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
6.25	.4	.065	.3
12.5	.7	.125	.5
18.75	1.0	.18	.7
25	1.2	.23	.9
37.5	1.5	.3	1.2
50	1.8	.35	1.5
62.5	2.0	.39	1.7
75	2.2	.42	1.9
87.5	2.4	.45	2.0
100	2.5	.47	2.1
112.5	2.6	.48	2.0
125	2.6	.47	1.9

* The rate of production differs for individual nations and depends upon the amount of human resources allocated to a particular type of production. The rate indicates the figure by which each unit of capital resources allocated to a particular type of production should be multiplied to get production figures.

Table VI Nations 3 & 9
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
5	.4	.065	.3
10	.7	.125	.5
15	1.0	.18	.7
20	1.2	.23	.9
30	1.5	.3	1.2
40	1.8	.35	1.5
50	2.0	.39	1.7
60	2.2	.42	1.9
70	2.4	.45	2.0
80	2.5	.47	2.1
90	2.6	.48	2.0
100	2.6	.49	1.9

Table VI Nations 4 & 10
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
3.75	.4	.065	.3
7.5	.7	.125	.5
11.25	1.0	.18	.7
1.5	1.2	.23	.9
22.5	1.5	.3	1.2
30	1.8	.35	1.5
37.5	2.0	.39	1.7
45	2.2	.42	1.9
52.5	2.4	.45	2.0
60	2.5	.47	2.1
67.5	2.6	.48	2.0
75	2.6	.49	1.9

Table VI Nations 5 & 11
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
2.5	.4	.065	.3
5	.7	.125	.5
7.5	1.0	.18	.7
10	1.2	.23	.9
15	1.5	.3	1.2
20	1.8	.35	1.5
25	2.0	.39	1.7
30	2.2	.42	1.9
35	2.4	.45	2.0
40	2.5	.47	2.1
45	2.6	.48	2.0
50	2.6	.47	1.9

Table VI Nations 6 & 12
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
1.25	.4	.065	.3
2.5	.7	.125	.5
3.75	1.0	.18	.7
5	1.2	.23	.9
7.5	1.5	.3	1.2
10	1.8	.35	1.5
12.5	2.0	.39	1.7
15	2.2	.42	1.9
17.5	2.4	.45	2.0
20	2.5	.47	2.1
22.5	2.6	.48	2.0
25	2.6	.47	1.9

Table VI Nations 13 & 19
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
12.5	.4	.16	.3
25	.7	.26	.5
37.5	1.0	.38	.7
50	1.2	.46	.9
75	1.5	.6	1.2
100	1.8	.7	1.5
125	2.0	.78	1.7
150	2.2	.84	1.9
175	2.4	.9	2.0
200	2.5	.94	2.1
225	2.6	.96	2.0
250	2.6	.94	1.9

Table VI Nations 14 & 20
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
10	.4	.16	.3
20	.7	.26	.5
30	1.0	.38	.7
40	1.2	.46	.9
60	1.5	.6	1.2
80	1.8	.7	1.5
100	2.0	.78	1.7
120	2.2	.84	1.9
140	2.4	.9	2.0
160	2.5	.94	2.1
180	2.6	.96	2.0
200	2.6	.94	1.9

Table VI Nations 15 & 21
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
7.5	.4	.16	.3
15	.7	.26	.5
22.5	1.0	.38	.7
30	1.2	.46	.9
45	1.5	.6	1.2
60	1.8	.7	1.5
75	2.0	.78	1.7
90	2.2	.84	1.9
105	2.4	.9	2.0
120	2.5	.94	2.1
135	2.6	.96	2.0
150	2.6	.96	1.9

Table VI Nations 16 & 22
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
5	.4	.16	.3
10	.7	.26	.5
15	1.0	.38	.7
20	1.2	.46	.9
30	1.5	.6	1.2
40	1.8	.7	1.5
50	2.0	.78	1.7
60	2.2	.84	1.9
70	2.4	.9	2.0
80	2.5	.94	2.1
90	2.6	.96	2.0
100	2.6	.96	1.9

Table VI Nations 17 & 23
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
2.5	.4	.16	.3
.5	.7	.26	.5
7.5	1.0	.38	.7
10	1.2	.46	.9
15	1.5	.6	1.2
20	1.8	.7	1.5
25	2.0	.78	1.7
30	2.2	.84	1.9
35	2.4	.9	2.0
40	2.5	.94	2.1
45	2.6	.96	2.0
50	2.6	.96	1.9

Table VI Nations 18 & 24
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
1.25	.4	.16	.3
2.5	.7	.26	.5
3.75	1.0	.38	.7
5	1.2	.46	.9
7.5	1.5	.6	1.2
10	1.8	.7	1.5
12.5	2.0	.78	1.7
15	2.2	.84	1.9
17.5	2.4	.9	2.0
20	2.5	.94	2.1
22.5	2.6	.96	2.0
25	2.6	.96	1.9

Table VI Nations 25 & 31
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
20	.4	.30	.3
40	.7	.50	.5
60	1.0	.75	.7
80	1.2	.9	.9
120	1.5	1.1	1.2
160	1.8	1.275	1.5
200	2.0	1.4	1.7
240	2.2	1.5	1.9
280	2.4	1.575	2.0
320	2.5	1.65	2.1
360	2.6	1.70	2.0
400	2.6	1.6	1.9

Table VI Nations 26 & 32
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
15	.4	.30	.3
30	.7	.50	.5
45	1.0	.75	.7
60	1.2	.9	.9
90	1.5	1.1	1.2
120	1.8	1.275	1.5
150	2.0	1.4	1.7
180	2.2	1.5	1.9
210	2.4	1.575	2.0
240	2.5	1.65	2.1
270	2.6	1.7	2.0
300	2.6	1.6	1.9

Table VI Nations 27 & 33
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
10	.4	.30	.3
20	.7	.50	.5
30	1.0	.75	.7
40	1.2	.9	.9
60	1.5	1.1	1.2
80	1.8	1.275	1.5
100	2.0	1.4	1.7
120	2.2	1.5	1.9
140	2.4	1.575	2.0
160	2.5	1.65	2.1
180	2.6	1.70	2.0
200	2.6	1.6	1.9

Table VI Nations 28 & 34
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
7.5	.4	.30	.3
15	.7	.50	.5
22.5	1.0	.75	.7
30	1.2	.9	.9
45	1.5	1.1	1.2
60	1.8	1.275	1.5
75	2.0	1.4	1.7
90	2.2	1.5	1.9
105	2.4	1.575	2.0
120	2.5	1.65	2.1
135	2.6	1.7	2.0
150	2.6	1.6	1.9

Table VI Nations 29 & 35
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
5	.4	.3	.3
10	.7	.5	.5
15	1.0	.75	.7
20	1.2	.9	.9
30	1.5	1.1	1.2
40	1.8	1.275	1.5
50	2.0	1.4	1.7
60	2.2	1.5	1.9
70	2.4	1.575	2.0
80	2.5	1.65	2.1
90	2.6	1.70	2.0
100	2.6	1.6	1.9

Table VI Nations 30 & 36
Rates of Productivity

Number of People Allocated to Each Type of Production (hundreds of thousands)	Rate of Consumer Goods Production *	Rate of Capital Goods Production *	Rate of Military Goods Production *
2.5	.4	.3	.3
5	.7	.5	.5
7.5	1.0	.75	.7
10	1.2	.9	.9
15	1.5	1.1	1.2
20	1.8	1.275	1.5
25	2.0	1.4	1.7
30	2.2	1.5	1.9
35	2.4	1.575	2.0
40	2.5	1.65	2.1
45	2.6	1.7	2.0
50	2.6	1.6	1.9

Table VII

Damage Resulting From Subversion

Units of Capital Resources Allocated to Subversion	% Damage done to Indicated Sector of Production
.25 units	4 %
.5	7.5
.75	11
1.0	15
1.25	19
1.5	23
2.0	30
2.5	38
3.0	45
3.5	55
4.0	60
5.0	75

Table VIII

Revolt Level for Each Nation
(All nations in a single bloc have the same revolt level)

Nation	Revolt Level	25% Below Revolt Level	50% Below Revolt Level
1-12	.0125		
13-24	.0075	.005625	.00375
25-36	.005	.00375	.0025

READING XXIV

THE COMMAND ECONOMY--PROBLEMS OF PLANNING: COORDINATION

By definition the command economy is one that permits a select group of individuals to establish economic goals and set the course for reaching them. Before 1917, no society ever attempted to plan an economy on a sweeping scale and on a basis of rapid modernization.

Through most of history, tradition dominated economic life. After the Industrial Revolution, the concept of the market emerged in nations influenced by western European industrial development. Not until the Russian Revolution was an effort made to tackle the enormous problem of organizing the entire life of a modern state through a centralized planning bureau. Russia's first steps in the direction of comprehensive planning were inauspicious. From 1917 to 1921, the economy was a confusing mixture of idealistic theory and harsh reality. Communist leaders made little headway in transforming the remnants of a crumbling, hungry, tsarist economy into an egalitarian dream.

As the country recovered from the devastation of war and revolution, the threatening collapse of the economy prompted Communist leaders to introduce the so-called New Economic Policy, a compromise between socialism and capitalism. This era lasted from 1921 to 1928. During this time, peasants, while having to meet fixed production quotas for the government, were allowed to sell surplus products for their own profit. Heavy industry was owned and operated by the state, but some companies were operated for profit by individuals.

In 1928, this compromise economy was abandoned and the first Five-Year Plan, collectivizing farms and nationalizing all industries, was launched. The first and succeeding plans had two primary goals: (1) the organization of farming to meet the agricultural needs of the Soviet people, (2) the rapid development of heavy industry as a base for a modern, leading industrialized state. The first Five-Year Plan, while falling short of the goals set by the official planners, was highly successful in its purely industrial achievements. By World War II, the Third Five-Year Plan was in operation and Russia had completed a large part of the transformation into an industrialized nation, operating a primarily command economy, through the processes of centralized planning.

Since economic resources are scarce and human desires endless, economic planners are faced by those same basic problems that occupied our attention in the market society.

(1) They must decide what to produce (i.e., how much of each good and in what quality?)

(2) They must decide how to produce it (i.e., with an eye on the wisest use of available resources)

(3) They must decide for whom to produce it (i.e., with an eye to distributing goods in a way that will please the planners and at least prove acceptable to most others)

In a market economy, these problems are solved primarily by the pricing mechanism which stimulates producers to concentrate their efforts on profitable goods while turning away from unprofitable production. In a command economy, the task of deciding what should be produced, how it should be produced, and for whom it should be produced is handled by the planners who must make their decisions without the guidance of an automatic pricing mechanism. In a command economy, prices may be arbitrarily set by the planners and do not necessarily reflect either supply or demand.

When the Soviets announced that they intended to make economic decisions by planning, it was argued that such an attempt to circumvent the automatic instruments of a market economy would result in total confusion and waste. The major argument against planning was that economic variables were too complex to be fully comprehended by human planners. How could people sitting in Moscow offices effectively plan the production and distribution of every screw, nut, and bolt that would be needed to produce adequate food, refrigerators, and defense goods for the Russian people? Opponents of planning predicted disaster. But Soviet planning through the years has had certain striking economic successes. Like traditional and market economies, it has its disadvantages and problems, but, despite this, industrial growth within the Soviet economy has been rapid enough to force us to take a closer look at what planning could do in that particular environment.

Explaining the intricacies of planning is an enormous task. How does one explain simply that the number of people made available to work in steel mills affects the amount of steel produced, which in turn affects the amount of steel available for automobiles, which in turn affects the number of people needed for work in the automobile factories, which in turn affects the demand for automobile parts, ad infinitum?

Some understanding of the intricate coordination of factors that must be thought through in planning might be acquired by examining an input-output table. An input-output table is a statistical description of some of the economic factors with which planners must work. The following is a greatly oversimplified input-output table. By looking across any row on this table horizontally, you can see how each industry in an imaginary planned society distributed its output among its various users. For example, the electric power industry distributed 21 billion kilowatt hours of electric power to the electric power industry itself which needed this power to make power; 9 billion kilowatt hours worth of electricity was used by the coal producing industry; 7 billion kilowatt hours by the petroleum industry, etc. The bottom horizontal row of the table shows how the labor force of this particular economy was distributed among the various producing sectors of the economy. Looking down the columns vertically shows the amounts of various goods used by each sector of the economy to produce its own output. For example, in order to produce 217 billion kilowatt hours, the electric power industry consumed 21 billion kilowatt hours of electric power, 83 million tons of coal, 22 millions of barrels of petroleum, .9 billion kilowatt hours of atomic power, etc.

Close examination of this table will begin to indicate the magnitude of the task confronting Soviet planners who must deal not with fifteen, but with hundreds of interconnected economic factors. It is evident that the amount of any commodity that can be produced depends upon how much of everything else is going to be produced; that a change in production of one item necessitates changes in many others as well.

INPUT-OUTPUT TABLE FOR A SIMPLE, HYPOTHETICAL ECONOMY
(not all sectors of the economy included)

Unit of Meas.	Consuming Sector of Economy / Producing Sector of Economy	Electric Power	Coal	Petroleum	Atomic Power	Machinery for Capital Goods Production	Machinery for Non-Agric'l Cons. Prod.	Machinery for Agric'l Production	Iron and Steel	Automobiles	Household Appliances	Industrial Const'n	Housing	Clothing & Textiles	Military Production	Other	Total Output
BKWH	Electric Power	21	9	7	1	20	6	10	11	6	12	4	2	5	8	7	129
MT	Coal	83	10	4	1	7	2	6	55	5	3	3	2	4	50	6	241
Mbbls	Petroleum	22	7	13	3	2	4	2	1	79	45	7	5	2	97	9	298
BKWH	Atomic Power	1	1	1	2	1	1	1	3	3	1	--	-	1	7	1	15
$M	Machinery for Capital Goods Production	1	1	1	1	50	1	1	1	1	1	5	6	1	49	1	121
$M	Machinery for Non-Agric'l Consumer Production	1	1	1	1	24	1	1	1	1	1	2	3	1		1	40
$M	Machinery for Agric'l Production	7	8	7	8	2	3	5	1	1	1	1	1	1	1	1	48
$M	Iron and Steel	1	1	1	23	4	5	7	1	1	1	24	17	1	71	5	163
$M	Automobiles &trucks	1	34	15	14	1	2	19	1	9	5	8	1	1	1	1	113
$M	Household Appliances	1	1	1	-	1	11	1	2	2	1	4	5	4	3	2	39
$M	Industrial Construction	1	1	5	-	1	-	-	10	5	4	3	2	2	1	1	36
$M	Housing	1	3	1	-	3	1	-	1	1	2	1	1	3	4	5	27
$M	Clothing & Textiles	-	-	-	-	1	2	1	1	3	4	1	1	2	3	1	20
$M	Other	1	1	1	1	4	3	1	1	2	1	2	1	6	2	1	28
TMY	Labor	320	1,402	143	32	2,403	1,797	3,143	670	370	259	3,719	2,540	1,662	10,982	2,491	

BKWH = billion kilowatt hours
MT = million tons
Mbbls = millions of barrels

$M = millions of dollars
TMY = thousand man years

Here is an example of what the table tells a planner. Suppose he wants 10% more steel produced in a given year. Reading down under "Iron and Steel," the planner sees that more steel requires more coal, more atomic power, more industrial construction, and so on. But more coal turns out, under the column headed "Coal," to require more trucks which require more petroleum and so on. Moreover, by looking across the column where "Coal" appears on the left side, we see that any more coal given to the steel industry out of present production must come at the expense of some other industry. And so it is that a change one place must result in changes in many more places.

These same repercussions take place in market societies. More steel means impacts at many, many points in the economy. But the market mechanisms are the instruments through which the impacts are felt; if the steel industry bids for more coal, the price of coal may go up and other industries, which use coal but which can shift to other fuels for part of their needs, will find an incentive to change to, say, oil. More demand for oil, in turn, can produce some price rises there. So the effects spread outwards. (The analogy of a stone dropped in a pool may be of some help; but it is probably better to think of a number of stones dropped in all at once or in close sequence, so that ripples spread outwards from several places and intermingle in complex patterns.) The point here is simply that you get spreading impacts from new production decisions in the planned economy or in the market economy. In the former case, the planners must recognize and deal with these impacts explicitly or create trouble for themselves; in the latter case, the market system brings about adjustments--some of them painful--through price changes.

With this recognition of commonality of underlying problems in mind, let us then go back to the table.

In the table we created for illustrative purposes, we didn't bother to balance outputs and inputs, but Soviet planners, in order to get maximum production from available resources, must carefully attempt not only to use their resources where they will get the greatest return, but to plan to use everything they are capable of producing so that input and output are always balanced.

Obviously no planner is so omniscient that a year's events can be accurately predicted. Planning the exact needs of consumers, governments, investors and the precise capabilities of industries is clearly subject to error. In addition, yearly plans must be adjusted, not only because of error, but because circumstances and needs change from year to year. What happens when a planner decides to adjust production plans from one year to the next? Suppose, for example, that the planners using our input-output table decided to increase the production of automobiles by 5% during the coming year? What will the impact of this single change be on all sectors of the economy? This past year $113 million worth of automobiles were produced. How much more production would a 5% increase represent? How much more electric power would be needed to permit a 5% increase in automobile production? When we increase electric power production, what other types of production must be increased? What effect does this have? How much more coal must be produced? How much more labor will be needed? How are we going to get these increases? Can we achieve these increases without decreasing production in other sectors of the economy?

These are some of the more obvious problems involved in planning. There are many more, but it takes only the simplest of examples to indicate the wheels, upon wheels, upon wheels that are put into operation when the smallest decision is made. It also indicates that satisfying the needs of all sectors of an economy involves more than willingness upon the part of the planners.

Glossary:

planned economy - an economy in which the use of resources is planned and controlled by government

communism - an economic system in which the means of production are owned by the public at large. It is distinguished from socialism by the belief that ultimately, when the public fully recognizes that individual welfare is identical with public welfare, the state will wither away. The Soviet Union may be regarded as a stage in the development of communism.

socialism - in general, an economic system under which some major part of the means of production is in public, rather than private, hands. There are many types and degrees of socialism.

capitalism - an economic system in which the bulk of productive services are privately owned and controlled.

Five-Year Plan - 5-year national goals established by the Soviet government. First five-year plan adopted for period from 1928-1933.

command economy - same as planned economy

input-output table - table indicating relationship between input and output in various sectors of an economy which feed one another.

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READING XXV

THE COMMAND ECONOMY--PROBLEMS OF PLANNING: EFFICIENCY

Planning an economy effectively not only involves coordinating all economic activities, but also assumes that coordination will be managed so that maximum output will be obtained from the allocation of available resources.

In our study of a market economy, we examined the agricultural industry in the United States as an example of an industry that responded to competition so efficiently that large numbers of competitors were forced out of contention creating sociological problems in place of economic problems.

Agriculture is also a serious problem in the Soviet Union. However, the problem there is one of inefficiency rather than over-efficiency. From the start of the Communist experiment, the peasants resisted the government's attempts to organize them into collective farms. This resulted in one of the most unfortunate pages in Soviet history: to gain peasant acceptance of their agricultural program, Soviet officials resorted to force. Millions of peasants were deported to Siberia and in retaliation farmers sabotaged their farms. With the adoption of the Five-Year Plans, the agricultural industry in the Soviet Union began to respond to planning, but the basic problems of underproduction and inefficiency have yet to be solved.

The following article discusses this problem. As you read it, keep the following questions in mind:

1. How do the agricultural problems of the Soviet command economy differ from the problems of the American market economy?
2. What appear to be the causes of the inefficiency plaguing Soviet agriculture?
3. Are these causes an inherent part of any planned economy or are they outgrowths of specific circumstances existing within the Soviet economy?

Lazar Volin, "Soviet Agriculture: A Continuing Problem," in CURRENT HISTORY, November 1961, 286+.

The continuing agriculture problem of Russia in spite of collectivization and spectacular expansion. The unfavorable climate is responsible for wide fluctuation of crops. Lack of economic incentives to induce peasants to work hard and efficiently created a serious situation which the government has been attempting to remedy since 1953. Also describes the effort being made to pour more capital into agriculture in farm machinery, electrification, fertilizers, etc. Reports progress being made in agriculture.

Glossary:

collective farm (kolkhoz) - pooled holdings created by uniting formerly independent small peasant farms. Peasants are paid a share of the total output on the basis of work done.

state farms (sovkhoz) - farms owned and operated by the government. Labor is hired just as in factories.

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READING XXVI

THE COMMAND ECONOMY--PROBLEMS OF PLANNING: OPERATING OUTSIDE THE PLAN

When we were studying the market economy, we discussed the paradox confronting managers of American businesses. On the one hand, the American government sets restrictions on competition. On the other, managers reaching for success are constantly under pressure to compete as keenly as possible. Soviet managers are faced by a similar dilemma. Like American managers, Soviet managers sometimes resolve this dilemma legally, sometimes illegally. In both economies, the manager's goals and restrictions are set for him, but responsibility for success is his alone. The manager who achieves the goals with the available resources will be rewarded greatly and will, in all probability, be promoted relatively fast. The manager who fails to achieve the goals set for him might well be replaced.

In the Soviet Union, a factory manager is not responsible to a board of directors, but he is responsible to the central planning committee. Responsibility for carrying out orders flows down a pyramid of authority from the central planners to factory managers to shop superintendents to production workers. Each level of the pyramid has authority over the level beneath it. Each level is held accountable for its performance to the level above it. Each level is given just enough authority to fulfill its responsibility.

The central planning committee is responsible for allocating all resources so that maximum production leading towards Soviet goals will be achieved. Factory managers are responsible for producing an assigned amount and type of production with the resources allocated to them. Factory managers delegate authority to shop superintendents. The shop superintendent, too, has a quota to fill and gets quotas of raw materials, machines, and labor with which to do the job. He also receives a bonus for success. And he in turn sets quotas for his foremen and production workers. All down the line bonuses are the reward for quotas achieved.

In setting production quotas for each factory manager, the central planner has two objectives: (1) to reach maximum production in areas crucial to achieving stated national objectives (2) to do this with a minimum expenditure of resources. It is, of course, to the advantage of the central planner to set quotas as high as conceivable while allocating as few resources as possible to achieve these quotas.

The dedication to quotas, an essential part of planning, has certain disadvantages. The desire to meet a quota can encourage inefficiencies and harmful practices. Maintenance is often ignored, quality sacrificed, materials and labor hoarded for emergencies and spare parts output skimped. But a major conflict created by emphasis on quotas is interestingly enough virtually identical with the conflict created by keen competition.

Soviet managers, like managers in all other economies, want to do a job that will be considered creditable. Managers are given special privileges such as good housing and automobiles. They receive better salaries than production workers and good bonuses when they overfulfill their quota. A manager has many incentives for wanting to remain a manager.

On the other hand, the Soviet manager like his American counterpart, has many pressures put upon him. He is under great pressure to meet his quota requirements. He is expected to do this with whatever resources have been allocated for this purpose. This is not always possible. It is then that the Soviet manager is faced by a difficult choice. Should he stay within the system and fail to meet his quota? Or should he look for ways around the system that might make it possible to meet his assigned responsibility? As you read the following, consider these questions:

1. **Is there a counterpart for the Zis man in the American market economy?**
2. **Is the need for this type of expediter necessarily an outgrowth of operating within a command economy?**

Mehnert Klaus, SOVIET MAN AND HIS WORLD (New York: Frederick A. Praeger, Inc., 1962), 84-87.

This is a report of the "Zis" man in the Soviet economy - the trouble shooter with connections and contacts. Everyone is anxious to meet the State's production demands and so even in this planned economy we find "under the table" presents, wining, dining and promises to get needed supplies, etc.

Glossary:

central planning committee - the agency entrusted with overall planning for an economy

maximum production - the largest quantity of goods that can theoretically be produced using a given amount of resources

national objectives - stated goals of a society

quotas - assigned shares of total production goals

state-controlled economy - an economy in which the use of resources is controlled by government

READING XXVII

THE COMMAND ECONOMY--SOME ACCOMPLISHMENTS AND SOME PROBLEMS

No economic system brings unmixed good or unmixed bad. Furthermore, what you consider good and what you consider bad depends upon you and your values. Because this is so, evaluating systems different from your own is always difficult. There is a tendency to see the unfamiliar in terms of "strange," "peculiar," or "undesirable." Today's reading includes a number of excerpts from American newspapers and periodicals. These articles speak of both strengths and weaknesses which have been noted by observers of the Soviet economy. In reading these excerpts, attempt to make as unbiased a judgment as possible on the following questions:

1. What strengths of a command economy are shown in these excerpts on the Soviet Union?
2. What weaknesses of a command economy are shown here?
3. How might a Russian student's evaluation of these strengths and weaknesses differ from that of an American high school student?

Reading XXVII contains several excerpts:

Floyd A. Bond, "The USSR's Organization Men" SATURDAY REVIEW, January 21, 1961.

Discusses who are the top managers and how they got there, and the incentives offered to encourage managers. If managers fail to achieve production goals the penalties are so great that abuses are rampant in sacrifice of quality, failure to adopt innovations, falsification of records, etc.

Theodore Shabad, "Thousands Quit Work in Siberia over Low Wages and Bungling," NEW YORK TIMES, November 12, 1962, page 1, vol. 4.

Report of incompetence and waste as reported in a Soviet newspaper.

NEW YORK TIMES, "Soviet May Adopt Profit Incentive to Spur Industry," October 14, 1962, p. 1, vol. 4, 13: 1.

This is a discussion of Professor Y. Liberman's plan for an incentive plan for Soviet industry in an attempt to speed up economic growth. After a conference of the State Planning Committee it was decided to test out these methods in several industries.

Robert McKinney, "The Russians Have Know-How, Too," NEW YORK TIMES MAGAZINE, October 9, 1960, 31+.

Report of large number of students enrolled in science and technology in Soviet universities - greater than in entire Atlantic community. Industry being substantially modernized and good use made of human capital in fields requiring technical education and ability, according to author.

Glossary:

sovnarkhozy - Soviet economic councils responsible for regional planning

Gosplan - chief Soviet economic planning commission responsible for long-range plans

Young Communist League - Communist youth organization

Young Pioneers - junior affiliate of Young Communist League

bonus - any method used to increase production by offering extra pay for more than the standard quantity of work

production goal - output target established by planners

economic growth - a general term referring to economic expansion over time, involving increases in production measured in many different ways

premium - a reward for exceeding production goals

investment resources - resources available for investment purposes

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READING XXVIII

THE COMMAND ECONOMY: AN EVALUATION

Tonight's assignment is a "thinking" assignment, rather than a reading or writing assignment. For the past five days you have been planning the economy of an imaginary nation. At the same time you have been reading about some of the successes and failures of planning as practiced by the Soviet Union. Tomorrow, in class, you are going to be asked to write an essay. In preparation for this think about the following:

1. What have you learned about planning an economy?
2. What are the strengths of a planned economy? What are the weaknesses?
3. What are the strengths of a market economy? What are the weaknesses?
4. What are the strengths of a traditional economy? What are the weaknesses?
5. What connections do you see between these strengths and weaknesses of various economic systems, their value systems, and the environments within which those values took hold?

UNIT VII

FACTORS OF PRODUCTION

STATING THE ISSUE

We have examined at some length answers to the question, "What shall we produce?" We found that in theory the market economy responds, "We shall produce whatever there is a demand for, providing we can make a reasonable profit producing it." The command economy answers, "We shall produce whatever we think is most likely to attain our national objectives." The traditional economy simply states, "We'll produce whatever our ancestors produced."

In the next unit we are going to study some of the complexities confronting economies attempting to answer the question, "How shall we produce it?" In theory, again, these answers follow a simple pattern. The market economist says, "We'll produce goods by the method that leads to the lowest production costs and hence to the best profits." The command economist says, "We'll produce goods by the method that uses available resources most effectively. And the traditionalist says, "We'll produce goods exactly as our fathers did."

But once they have made these broad statements, they are then faced by the problem of translating theory into action. How do they know what method will be most profitable? How do they know what method will make best use of available resources? Only the traditionalist knows for certain how to attain his stated goal.

In the next unit we are going to look at the factors of production that must be manipulated before the question, "How shall we produce our goods?" can be answered.

READING XXIX

ECONOMIC CHOICE: THE ALLOCATION OF RESOURCES

All through our lives each of us is constantly forced to make choices among alternatives. If tonight, after dinner, we decide to spend an hour of our time watching television, we cannot spend that same hour playing outside or, even, doing tomorrow's social studies assignment. In terms of time as a resource, the cost of doing one thing is not being able to do something else. And so it is with all other resources.

In a world of unlimited resources no one would ever be forced to make economic choices. Everything a person wanted would be available in any amount and in any combination. Limitless time would grant everybody the opportunity to do everything he ever wanted to do for as long as he wanted to do it. Under these conditions, all goods would be what the economist calls "free goods." Relatively scarce goods (economic goods) would not exist.

A simple example may make the point clear. If time, money and energy were limitless, students could go to school, work, play, read, watch television, and sleep to their hearts' content. Since time, money and energy are all very limited at age sixteen, each student is faced by an economic choice. Should he stay in school and forgo the immediate income available to him in the labor market, or should he continue his education, at the cost of time and money, for the sake of greater future rewards?

Just as individuals are faced by economic choices, business firms also must choose. Labor used to perform one function is not available to perform another. Machines currently being used to make pins are not at the moment available for making needles. Money used for expansion is not available for raises in pay. Management is constantly called upon to decide how the limited resources available to it can best be used. (And, of course, the management skills and time employed in examining one set of choices are not available for examining another problem area.)

Just as individuals and firms make choices, societies too must choose among limited resources.

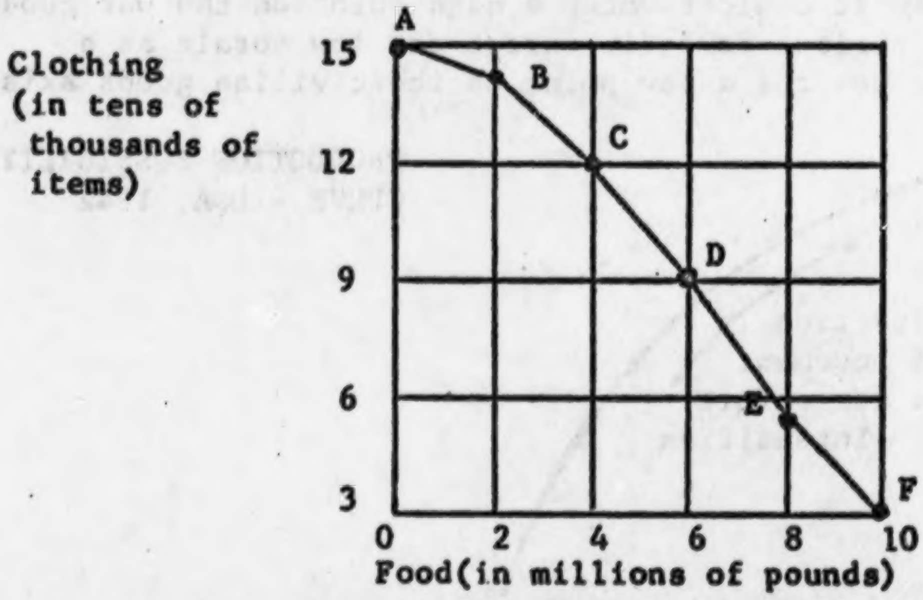
To see the choice problem in an entire society, it is best to begin with a much simplified case. Imagine a society in which only two kinds of goods, food and clothing, are produced. In theory all the natural, human and man-made resources of this society might be marshalled to produce food and only food. Or, as another theoretical and extreme possibility, they might be used to produce only clothing. Let us assume further that this society could produce 10 million pounds of food a year if it used all of its resources for this purpose. This same society could turn out 150,000 items of clothing if it turned all its resources in this direction. These are the extreme possibilities for production in this imaginary society. Between these extremes, we might produce some food and some luxury goods. By diverting resources back and forth, we could alter the relative amounts of each commodity we produced. In Table 1, below, each of the letters A through F illustrates the result from one possible allocation of resources as between growing food and producing clothing.

Table 1

Production of Food and Clothing in an Imaginary Economy

Alternative	A	B	C	D	E	F
Food, millions of pounds	0	2	4	6	8	10
Clothing, tens of thousands of items	15	14	12	9	5	0

This table is called a production possibility schedule. We can also present it in graphic form by measuring food along one axis and clothing along the other.

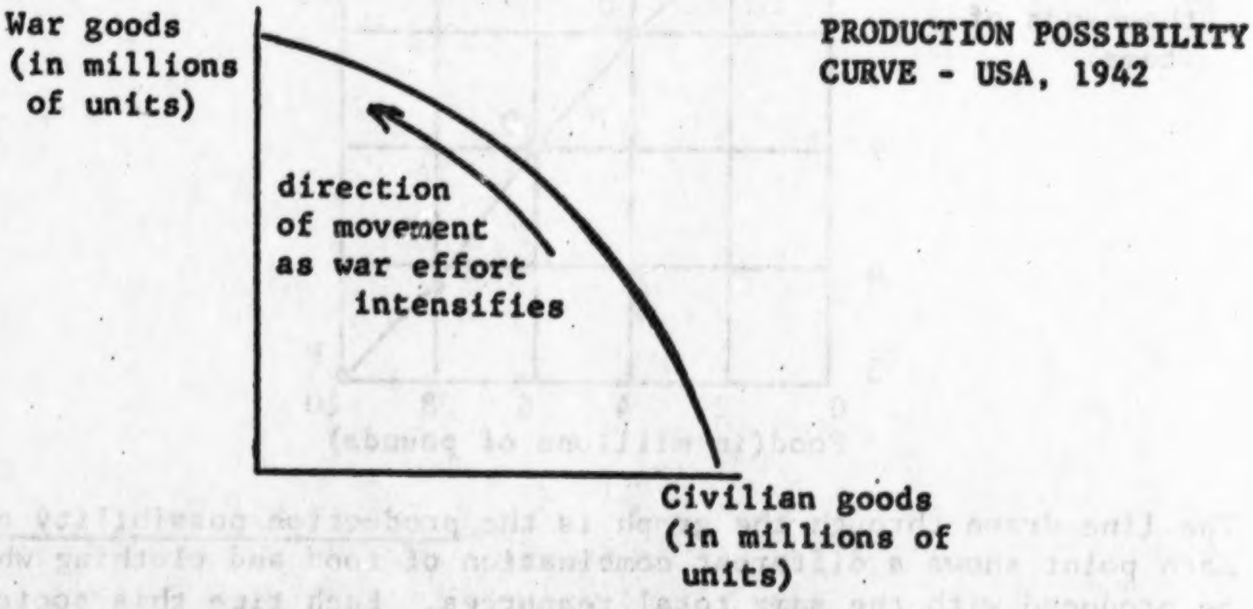


The line drawn through the graph is the production possibility curve. Each point shows a different combination of food and clothing which could be produced with the same total resources. Each time this society gives up a few items of clothing (i.e., moves down the vertical scale), it gains some more food (i.e., moves to the right on the horizontal scale).

This curve then becomes a graphical presentation of the problem of economic choices. It leaves a society with the chance to have more clothing if it wishes to do so, but it makes the price very clear: more clothing will mean less food.

In our own society, the problem of choices is of course vastly more complex because we have far more goods than can be represented by the simple catchall labels of "food" and "clothing." But the principle illustrated in the production possibility curve remains effective.

Indeed, there are times in our economy when the choices before us become so clear and so urgent that the simple diagram above can represent the real world. The days of World War II represent such a case. By the middle of 1942, the stock of available resources -- men, machines, buildings, land -- was being used at close to full capacity. If the nation wanted more goods of any one type, it could no longer pull in a host of idle resources that were standing by waiting to be employed for this purpose. Instead, the society had to give up something it was now doing in order to divert resources to a new need. It is not too much of a simplification to think of all goods in 1942 as war goods and civilian goods. If these are then represented along the axes of the production possibility curve diagram, the economic problem is clear. The nation could get more war goods (tanks, military uniforms, etc.) only by giving up the production of some civilian goods (private automobiles, civilian suits, etc.) The choice was made to go a long way towards converting to war goods, but there were limits on this so long as civilians felt the need for goods for themselves. The government's task was to go as far as it could towards a high point on the war goods axis without producing serious domestic unrest and low morale as a result of going too far towards a low point on the civilian goods axis.



PRODUCTION POSSIBILITY CURVE - USA, 1942

Let us take a further look at the economic choice problem by bringing it closer to home once again and by talking about a real life problem that city governments frequently face.

Let us assume that the largest part of City X's budget for the current year has been allocated for schools, police protection, water service

and other similar purposes. A fund of $600,000 remains after these urgent, non-postponable items have been taken care of. The fund can be used at the discretion of the city council. Council could use this money in any number of ways for there are always things to be done. But, by general agreement, the city's most urgent needs include:

1. Ten streets need to be repaved; each would cost $60,000.
2. The zoo, in danger of physical and financial collapse, needs $300,000 to put it back in sound condition.
3. Ten bridges need to be repainted; each paint job costs $10,000.

You are the city treasurer. Tomorrow you must make a presentation before city council indicating that while $600,000 is a lot of money, it won't buy everything the city needs. In making your presentation you must indicate not only the alternative choices available to council, but what the consequences of choosing each alternative would be and why you think one choice is preferable to all others. In making presentations of this kind, it has been found that graphs and charts are invaluable aids in clarifying the points you want to make. Come to class tomorrow prepared to make such a presentation to the class, acting the role of a city council. Prepare at least one graph or chart to be used as part of your presentation.

Glossary:

1. economic goods - goods or services that are scarce and useful

2. free goods - goods existing in unlimited quantities

* * * * *

Reading XXX

WHAT ARE RESOURCES?

When people think about an economy's resources, they frequently consider only the raw materials from which goods are produced. But raw materials represent only one type of resource. Equally important to an economy's growth are the human and capital resources available to it.

The territory now known as the United States abounded with natural resources in the fifteenth century, but economic development came slowly and with great difficulty. Similarly, nineteenth century Russians lived upon ground overflowing with untapped natural resources that have, in recent years, just begun to make their potential contribution to the Soviet economy. The impact of access to natural resources will depend upon the availability of the proper quantity and quality of human and capital resources needed to utilize the natural resources. Thus, coal buried in the ground has little economic significance. Supplies of coal, coupled with (i) the right number of humans skilled in the art of mining, (ii) sufficient capital equipment designed to remove coal from the earth, and (iii) industries ready and able to use the coal as fuel can be highly significant in shaping a nation's destiny. What is involved here? For coal to have an economic impact, there must be:

a. sufficient quantities of coal buried in the ground
(a natural resource)

b. a large enough pool of labor to remove the coal from the ground
(human resource -- quantity)

c. technical personnel sufficiently educated and skilled to know how to remove coal from the ground and to design equipment needed for this removal
(human resource -- quality)

d. machinery capable of removing coal from ground
(capital equipment)

e. people enterprising enough to bring all of these factors of production together in proper balance
(human resource -- quality)

f. markets to absorb the coal
(human resource -- environment)

g. enough stability in the society to permit the enterprise to continue
(human resource -- environment)

In short, in considering the economic impact of resources, we must consider quantity, quality and balance. And we must think of tangible resources (e.g., coal) and intangible ones (e.g., environment).

One word of caution: once we see the interdependence of resources on one another, we can avoid any simple judgments that one type of resource is always more important than another in explaining the relative wealth or poverty of any society. Some history books fall into this trap and say, for example, that the great prosperity of the United States is to be explained mainly by its abundance of natural resources. But other countries (e.g., Congo) are perhaps equally wealthy in natural resources, and yet they have a much lower standard of living. What matters then is not any one type of resource alone; it is the proper combination of all types of resources that makes the difference.

For purposes of classification, physical and human resources have been described in terms of certain characteristics. Some of these characteristics are highly significant in determining economic impact. For example, natural resources are sometimes classified in terms of quantity and quality. Natural resources are also classified as:

1. Inexhaustible resources -- Solar energy is an example of an inexhaustible(and, so far, largely untapped) resource. Within the foreseeable future the sun is going to continue to shine and the energy being transmitted will be available in unlimited supply.

2. Exhaustible and renewable resources -- Water can be considered as an example of a resource that can be exhausted through pollution and then renewed through purification.

3. Exhaustible and non-renewable resources -- Coal, once exhausted, would take millions of years to re-form. For all practical purposes, this is an exhaustible and non-renewable resource.

Human resources are also classified in terms of quantity and quality. Quality describes the amount and type of education a worker brings to a job, his mental and physical condition, his attitudes concerning work, which all influence greatly his effectiveness within the labor force. Quantity, of course, refers to the number of people available for labor and the number of hours per year and years per lifetime that they will work. If quantity alone were what mattered, China and India would be among the world's wealthiest and not among the world's poorest nations. But so much of their population is undernourished, undereducated, and in some cases undermotivated that the total labor pool tends to hold these economies back.

At the end of this reading is a list of resources. For tomorrow divide this list into the following classifications and sub-classifications

1. Natural
   a. inexhaustible
   b. exhaustible and renewable
   c. exhaustible and non-renewable

2. Human

3. Capital

4. Not a productive resource at all.

Be prepared in class tomorrow to discuss which of these resources was significant in the economic development of the United States. Also consider the way in which quality as well as quantity influenced the type of economic development that took place.

Glossary:

1. natural resources
2. human resources refer to Glossary, Reading VI
3. capital resources

RESOURCES

Wooded areas of the American continent in the 17th century

Gold

Robots

New York Public Library

Natural beauty

Computers

Air in Denver, Colorado

Air in Los Angeles, California

Lobsters off the coast of Maine

National parks

Electronic packaging machines

Color television sets

College trained technicians

Federal Highway System

State roads

Private turnpikes

Eyeglasses

Grass

Igloos

Manhattan Island

Florida climate

Radar

Public school system

Morale

Railroads

Empire State Building

Hilton Hotels

Paper

Massachusetts Institute of Technology

Coal

Mimeograph machines

New York Yankees

Bank of America

General Motors

Peanuts

Children

Jet airplanes

Lowell textile mills

Des Moines Chapter of the Farmers Alliance

National Association of Manufacturers

Leonard Bernstein

Lyndon B. Johnson

Ice skating arenas

Courage

Buffalo herds

Dwight D. Eisenhower

READING XXXI

CHANGING RESOURCES IN THE UNITED STATES

The population of the United States doubled in the fifty year period between 1910 and 1960; our use of natural resources more than doubled. What does this imply about the future? Recently some experts on resources have begun to warn us that we are heading for trouble, that increased population growth combined with a mounting drain per capita on natural resources will bring the whole world into a wild scramble for scarce materials. They are concerned about what will happen when the rest of the world starts to use resources at about the same rate as we do in the United States. Some of the experts on this side of the argument are also in favor of checks on rising population, but their case for such checks rests on (i) fears about the world-wide, rather than the American, problem of matching resources with population, and (ii) uneasiness about the prospect of crowding and of absence of open spaces in an over-populated society.

But there are other experts who hold a more relaxed view about our future. They believe that we will be able to maintain a growing population and a rising standard of living indefinitely. Pointing to our record, they argue that ingenious people will always be able to find new resources or to develop substitutes for exhausted supplies. They are confident that we can solve any problem of resource depletion if we turn our full attention to the task. They know that, although we use up resources rapidly, we continue to find new ones. Moreover, in a market society, we tend to slow down the rate of consumption of any scarce resource by the automatic device of higher prices that have to be paid for the use of such resources. But potentially serious problems still exist and a nation with an eye on its future needs to be resource-conscious.

Today we are going to examine patterns of resource use in the United States. Statistical evidence presented in the form of tables, graphs, and charts is a common and necessary tool for economists searching for past trends in making estimates about the future.

TABLE I

POPULATION, UNITED STATES 1870-1960*

Year	Number	Median School Yrs Completed (Pop. over 25 yrs. of age)
1870	39,818,449	--
1880	50,155,783	--
1890	62,947,714	--
1900	75,994,575	--
1910	91,972,266	--
1920	105,710,620	--
1930	122,775,046	--
1940	131,669,275	8.6
1950	150,697,361	9.3
1960	178,464,236	10.6

1. a. What has been the population trend in the U.S.? (What more can be said beyond the obvious statement, "It has been growing."?)

2. What is the importance of median school years completed to a study of natural resource depletion problems?

3. a. Between 1950 and 1960, how much did the population increase?
   b. What per cent increase in population does this figure represent? Is this a faster growth rate than we experienced from 1940 to 1950? Can you explain this? (Subtract 1950 population figure from 1960 figure. Divide figure obtained by 1950 population figure. The quotient of this division represents the percentage increase in population between 1950 and 1960)

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* Source of all figures used in this reading, STATISTICAL ABSTRACT, 1960, Washington, D.C., Government Printing Office.

TABLE II

PETROLEUM PRODUCTS AND RESERVES (U.S.)
(In thousands of barrels of 42 gallons)

	Production	Proved Reserves	
1946-1950, average	1,885,325	1950	25,268,000
1951-1955, average	2,338,809	1959	31,719,347
1956-1960, average	2,566,539	1960	31,613,000
1956	2,617,283	1962	31,389,000
1960	2,574,933		
1962	2,676,185		

1. Between 1950 and 1960 did the average yearly production of petroleum rise or fall? Did the proved reserves rise or fall?

2. What is the significance of the proved reserve figures?

3. a. Between 1950 and 1960, how much did the proved reserves of petroleum change?

   b. What per cent increase does this represent? (Refer back to question 3b, under Table I.)

4. With over 2,000,000 barrels of petroleum being used each year, how could the proved reserves possibly continue to increase?

5. a. In estimating whether the United States will have sufficient petroleum for future use, why must one have figures for population change as well as figures for petroleum production and proved reserves?

   b. What other information would you want before making estimates about the adequacy of our petroleum resources?

TABLE III

NATURAL GAS AND RESERVES (U.S.)
(billions of cubic feet)

Year	Total marketed production	Estimated proved reserves as of end of year	Increase over previous year
1930	1,943	**	
1940	2,660	**	
1950	6,282	185,593	5,211
1958	11,030	254,142	7,473

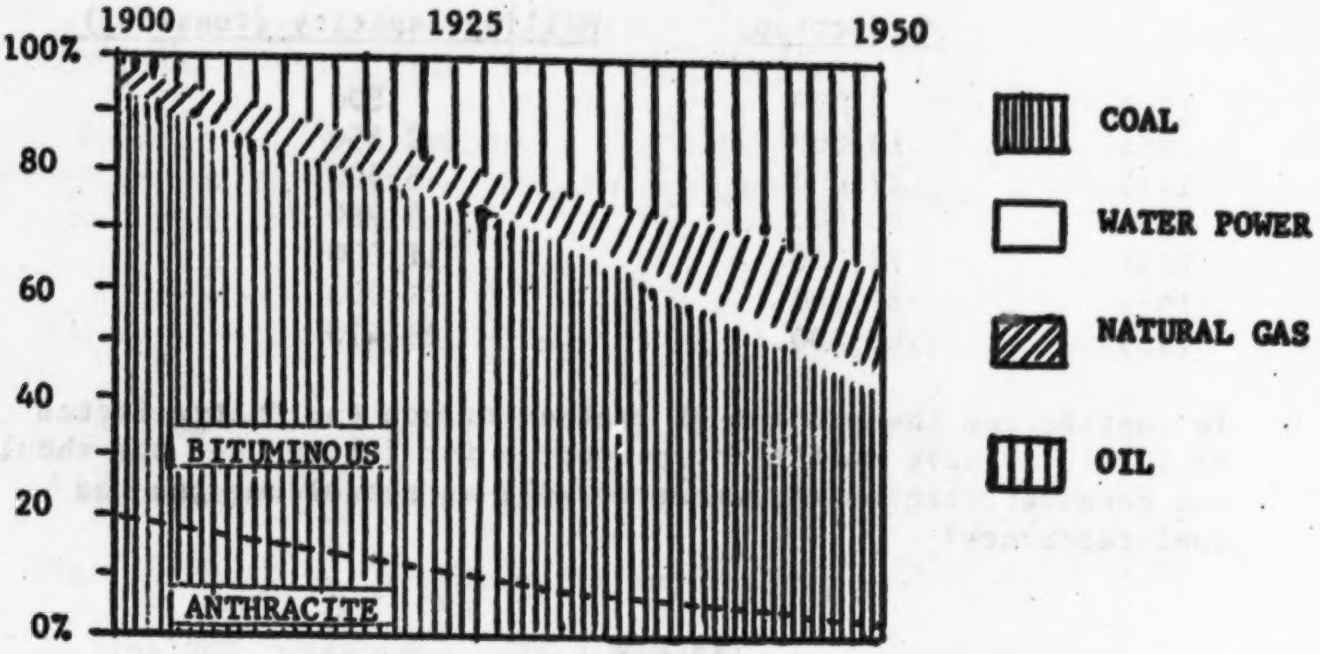
** comparable figures not available

1. Is the supply of gas increasing or decreasing?

2. Does this table together with Table I supply us with sufficient information to predict whether or not we shall have sufficient natural gas for future needs? Why or why not?

CHART 1

SHIFTING PATTERN OF U.S. ENERGY RESOURCES



Source: U.S. Dept. of the Interior PMPC Projections

1. What per cent of all energy resources used in the United States in 1900 was powered by the use of coal?
2. What per cent in 1950 was powered by coal?
3. Does this chart tell you whether more or less tons of coal were consumed in the U.S. in 1950 than in 1900?
4. What does it tell you about the use of coal?

TABLE IV

ESTIMATED URANIUM ORE RESOURCES (in 1000 tons)

	Production	Milling capacity (tons/day)
1950	2,000	800
1954	10,000	2,650
1955	27,000	5,500
1956	60,000	8,960
1957	78,000	11,000
1958	82,500	21,000
1959	86,000	21,410

1. In considering the problem of whether or not the United States is likely to have sufficient resources for future use, why should one consider uranium resources as well as petroleum, gas and coal resources?

TABLE V

PRINCIPLE AGRICULTURAL CROPS--YIELD PER ACRE (in bushels)

Year	Oats	Rye	Barley
1931-1935	25.9	11.1	20.0
1936-1940	30.2	11.8	22.0
1941-1945	32.2	12.3	24.1
1946-1950	33.9	12.2	25.8
1951-1955	34.6	13.2	27.9
1958	44.5	18.2	31.8

1. How does this information relate to the problems of population growth and resource depletion?

TABLE VI

RESOURCE TRENDS IN THE UNITED STATES, 1870-1954 *

*** Neal Potter and Francis T. Christy, Jr., TRENDS IN NATURAL RESOURCE COMMODITIES, (Baltimore: Johns Hopkins Press, 1962).**

Table showing resource trends in the United States, 1870-1954. Consumption of Agriculture, Forest Products, Minerals and Import of same during this period.

1. **How many dollars worth of agricultural products were consumed in 1870?**
2. **How many dollars worth of forest products were consumed in 1910?**
3. **What is meant by "adjusted to 1954 dollars"?**
4. **What is meant by "Net Resource Imports"?**
5. **a. In 1900, were more agricultural products exported or imported by the United States?**

   b. How do you know this?
6. **What information does this table offer which is useful in predicting whether the United States will have sufficient resources in the future?**

READING XXXII

PRODUCTION: THE ROLE OF PHYSICAL CAPITAL

Production results from combining natural resources, physical capital, and labor in discrete proportions. The act of combining these factors (called entrepreneurship) is considered the fourth factor of production. Over the past few days, we have defined natural resources and have attempted to visualize the changing role played by such resources in a growing economy. During the next few days, we are going to attempt to analyze the role of each of the other factors of production.

We'll start our study by defining physical capital. This task is not as easy as it might seem. Physical capital might be defined as the land, buildings, equipment, tools and inventories created for the purpose of assisting in the production of goods and services. Two important thoughts are implicit in this definition:

(i) The creation of capital goods required sacrificing some current consumption.

Recall the lesson that the cost of producing any one good is the cost of not producing some other good. Thus, while Robinson Crusoe on a desert island might see that he could raise more food if he stopped to fashion some simple tools (i.e., capital) to work the land, nevertheless he might not feel that he could take time off from gathering the food he needed immediately. So long as that was true, he would be condemned to living on a lower plane.

A wealthy industrial society is in the happy position of being able to produce the basic consumption goods needed for a decent standard of living and still have some resources left over to produce capital goods. A poor society may find it difficult or even impossible to put its severely limited resources into capital goods and to wait for those capital goods to pay off in more consumption goods.

(ii) The creation of capital goods today makes possible a larger volume of consumption goods tomorrow.

The purpose of creating capital goods is to make it possible for man to increase his own productivity. Buildings protect his production activities from the weather. Some machines extend his muscles, others extend his abilities to measure, and still others make it possible for him to break work down into sub-parts so that individuals may specialize on parts of the total production job. So it is that, in general, the more capital a society has, the more consumption goods it can produce. And the more it can produce, the more it can afford to develop still better capital.

Just as the role of natural resources has been a changing one, the role of physical capital has also varied. As technology discovers new ways to do things, an industry can become increasingly dependent upon physical capital. The development of synthetics may give a greater role to physical capital while creating a lesser role for natural resources. Automation may also increase emphasis on access to huge amounts of physical capital while creating a demand for a different type of human resource. The importance of a single factor of production is not static and can be considered only in terms of its interrelationship with other factors of production in the total productive process.

Yesterday you examined statistics that indicated the changing role played by natural resources in American production. Today you are to imagine that you are responsible for creating a lesson designed to teach through statistics the role capital resources have played in the industrial development of the United States. What figures would you include, assuming they were available, to indicate the importance or lack of importance of capital resources to production? How would you determine whether the importance of physical capital has increased or decreased over the years?

Come to class tomorrow with a list of charts and tables you would use to teach this lesson.

Glossary:

1. physical capital - buildings, equipment, tools and inventories created for the purpose of assisting in the production of goods and services.

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Reading XXXIII

PRODUCTION: THE ROLE OF HUMAN CAPITAL

One of the interesting aspects of recent discussions on the factors making for a high Gross National Product in any country is the new weight being assigned to the human factor. If you look back in some of the conventional American history texts, you will often find our remarkable growth explained more on the basis of rich natural resources and a plentiful stock of capital than on the basis of the quality of the labor force. But today there is growing agreement that this nation's educational system, its health standards, and even its attitudes towards work and towards saving are at least as important as any other factors in explaining our wealthy position in relation to other countries. To appreciate fully the importance to a nation's growth of highly developed human resources, consider the Congo which, when the Belgians withdrew in 1960, had only 18 college-educated people in the country. Here was a land of vast resources--but without the know-how to put them to work. Contrast development in the Congo with that which has taken place in West Germany since the end of World War II when much of German industrial capital equipment was smashed but a vast potential of technological and organizational skills was at hand to rebuild. Today's lesson focuses on some aspects of the educational dimension in economic growth.

In analyzing the impact of natural and capital resource development, we confined ourselves to a study of changing patterns of use in the United States. Today we broaden our view to include groups of nations at varying stages of development to see the correlations between national development and the development of human resources. As you read the following, consider these questions:

1. How important does the development of human resources appear to be to the building of modern nations?
2. What does this lesson suggest about the resources that need to be invested in education in (i) the least developed nations and (ii) the United States?
3. Concentrate on paragraph 6, beginning "Human resources are developed in many ways." What specific institutions in your own community play a part in developing human resources?

Frederick Harbison and Charles A. Myers, EDUCATION, MANPOWER AND ECONOMIC GROWTH: STRATEGIES OF HUMAN RESOURCE DEVELOPMENT (New York: McGraw-Hill, 1964), 1-2, 15-16, 25-27, 31-36, 38.

Article states that most nations today are development-minded. Development has various meanings to different groups. In many countries it means industrialization, in others achievement of independence, politically and economically. As economists, we are interested in economic growth, but in this article the point of view is toward development of human resources. Gives definition and categories of strategic human capital - areas in which there is shortage, and discusses use of this assessment of capital in international comparisons of development.

TABLE I. COUNTRIES GROUPED BY LEVELS OF HUMAN RESOURCE DEVELOPMENT ACCORDING TO COMPOSITE INDEX

Level I, Underdeveloped

0.3	Niger
0.75	Ethiopia
1.2	Nyasaland
1.55	Somalia
1.9	Afghanistan
1.9	Saudi Arabia
2.2	Tanganyika
2.6	Ivory Coast
2.95	Northern Rhodesia
3.55	Congo
4.1	Liberia
4.75	Kenya
4.95	Nigeria
5.3	Haiti
5.45	Senegal
5.45	Uganda
7.55	Sudan

Level II, Partially developed

10.7	Guatemala
10.7	Indonesia
10.85	Libya
14.2	Burma
14.5	Dominican Republic
14.8	Bolivia
15.25	Tunisia
17.3	Iran
19.5	China (Mainland)
20.9	Brazil
22.6	Columbia
22.7	Paraguay
23.15	Ghana
23.65	Malaya
24.3	Lebanon
24.4	Ecuador
25.2	Pakistan
26.8	Jamaica
27.2	Turkey
30.2	Peru
31.2	Iraq

Level III, Semiadvanced

33.0	Mexico
35.1	Thailand
35.2	India
35.5	Cuba
39.6	Spain
40.0	South Africa
40.1	Egypt
40.8	Portugal
47.3	Costa Rica
47.7	Venezuela
48.5	Greece
51.2	Chile
53.9	Hungary
53.9	Taiwan
55.0	South Korea
56.8	Italy
60.3	Yugoslavia
66.5	Poland
68.9	Czechoslovakia
69.8	Uruguay
73.8	Norway

Level IV, Advanced

77.1	Denmark
79.2	Sweden
82.0	Argentina
84.9	Israel
85.8	West Germany
88.7	Finland
92.9	U.S.S.R
101.6	Canada
107.8	France
111.4	Japan
121.6	United Kingdom
123.6	Belgium
133.7	Netherlands
137.7	Australia
147.3	New Zealand
261.3	United States

What are the relationships between indicators of human resource development and indicators of economic development? This is the second question which we posed. ... In order to answer it, we sought various measures of economic growth or economic development for enough of the seventy-five countries to be useful for statistical analysis. The availability of certain indices for only a limited number of countries led us to utilize only two indicators:

1. Gross national product (GNP) per capita in United States dollars
2. Percentage of the active population engaged in agricultural occupations. ...

TABLE 2. INDICATORS OF HUMAN RESOURCE AND ECONOMIC DEVELOPMENT ...

Indicator	Level I 17 countries	Level II 21 countries	Level III 21 countries	Level IV 16 countries
Composite index (second and higher education)	3	21	50	115
GNP per capita, U.S. dollars	$84	$182	$380	$1,100
Per cent active population in agriculture	83	65	52	23
Teachers (first and second levels) per 10,000 population	17	38	53	80
Scientists and engineers per 10,000 population	0.6	3	25	42
Physicians and dentists per 10,000 population	0.5	3	8	15

Glossary:

Gross national product (GNP) per capita - the money value of the total output of goods and services within a country for a given year divided by the total population of the country. This indicates the share of GNP each individual would receive if GNP were divided equally.

Reading XXXIV

PRODUCTION: THE ROLE OF THE ENTREPRENEUR

What is the entrepreneur's contribution to production? This question has been widely and passionately debated. The Marxist says the entrepreneur contributes little to production. He is a parasite living off the labor of others. The capitalist says without the entrepreneur other factors of production would remain undeveloped, lost to production. The traditionalist might ask what the word meant. In his society there is no place for the entrepreneur.

Today's reading is a fictionalized account based on the circumstances surrounding Henry Ford's rise to prominence as an American entrepreneur. Here you are seeing Ford through the eyes of one of the best known novelists of the 1930s. In U.S.A., from which this excerpt is taken, John Dos Passos included a lively series of portraits of major figures in many walks of life. As you read this excerpt, try to analyze the role of the entrepreneur. Read with the following questions in mind.

1. What qualities seemed to Dos Passos to be responsible for Ford's success as an entrepreneur?
2. How might this description of Ford have been written by an editor of a businessman's newspaper? By a college economist?

John Dos Passos, U.S.A. (Part III, The Big Money), (New York: Modern Library, 1937), 47-57.

"Tin Lizzie" is an almost poetic saga of Mr. Henry Ford, the entrepreneur, and a picturization of his era.

Glossary:

1. entrepreneur - a person or groups of persons responsible for organizing, coordinating, and supervising the production of some good or service.
2. note - an abbreviation of the term "promissory note." A written promise to pay the holder of the note a certain sum of money at a definite time. Payment may or may not include interest.
3. board of directors - group chosen by stockholders of a corporation to establish policies by which enterprise is managed.
4. Taylorized speedup - refers to the adoption of methods and machinery designed to increase efficiency. F. W. Taylor was a pioneer in the field of scientific management.

UNIT VIII

STATING THE ISSUE

DISTRIBUTION IN THE MARKET ECONOMY

Much of the remainder of the course will be devoted to problems resulting from attempts to put into practice theoretical answers to the question, "For whom are goods produced?" We shall first concentrate on understanding the philosophy underlying the market economy's answer to this question. Keep in mind that when we discuss theory, we are talking about how things would work in a pure economy. Just as there was no pure market economy in which a theoretical pricing mechanism could operate without flaw to determine what goods would be produced, there is no pure market economy in which goods will be distributed in strict compliance with market theory. There are patterns of distribution which have grown up in the American economy and which represent a blend of the pure market economy and of a somewhat more regulated economy. It is these patterns we shall attempt to identify.

READING XXXV

DISTRIBUTING GOODS IN THE MARKET ECONOMY: THEORY

So long as Robinson Crusoe was alone, he had no problem deciding how to allocate the food he gathered or the shelter he fashioned. But as soon as Friday came along, another of the universal economic problems arose: How should the product of their joint endeavors be divided? Or, for whom should they produce?

This is the problem of distribution. The wealthiest and the poorest societies both are marked by more demands for goods than there are goods available. Who then is to get how much of whatever is available? Should everyone get equal shares? Should kings get big shares and slaves little ones? Or should the goods be divided in accordance with what men contribute to the society?

In the pure market economy the principle underlying the distribution of goods is that finished goods are apportioned among the factors of production in accordance with value contributed by each factor to total production. For example, in the last unit we studied four factors of production: human resources, capital resources, natural resources, and entrepreneurship. Each of these factors shares in total national income as follows: human resources, or labor, receives wages; capital resources are compensated for the value they contributed to total production through interest or rent; entrepreneurs share through profits or wages; and the owners of natural resources share through profits or rent. The amount of income received, in turn, determines how large a share of total production any individual can buy. It becomes obvious that the forces that determine income also determine distribution.

What are the forces that determine various peoples' income in a pure market economy? Just as there are markets where supply and demand determine the price of goods and services, so there are markets for the factors of production where supply and demand determine the price of the factor and thereby determine income. In theory, the market mechanism is a yardstick for measuring how valuable a society considers any factor of production.

How does this affect distribution? We started by stating: (a) that in a pure market economy income was seen as a return proportional to the value a particular factor of production contributes to total production; (b) that income determines one's share in the process of distribution; (c) that income is established by the market mechanism in response to the forces of supply and demand of productive factors.

This is the theory. Now let's look at what happens in practice. To a large extent, distribution in the United States is handled in just this way and, much of the time, the results are satisfying to all concerned.

A man makes a contribution to the society's production, and he is rewarded in direct proportion to what the market considers to be the value of his contribution. But note what this implies. The distribution model for a pure market society bases value on the balance between demand and supply. If there is sufficient demand for a particular productive service, it has value. If the demand is great compared to supply, the value is high. The contributions of all individuals are not considered equal by the market mechanism. And the contributions of some have no value whatsoever in the market. For this reason, all individuals do not share equally in the distribution of a market's production, and some, in accordance with the dictates of the market, receive no share at all when goods produced are being distributed.

One of the most controversial issues in economics has long been distribution of income between wages and profits, rich and poor, haves and have nots. Governments have risen and fallen over this issue. Within our own economy, the government has assumed a role of limited intervention in an attempt to remove some of the more serious inequities in the operation of the market mechanism. (Note that the word here is "inequities"; what thought does that word convey that would not be conveyed by the word "inequalities"?)

For presentation in class tomorrow, prepare a thoughtful outline of what you would consider an ideal system of distribution for the Utopia in which you would like to live. Be sure to explain not only how the system would work, but why you think it would work. Write or type your analysis on a single sheet of paper so that those that are not presented orally can be collected and graded.

Glossary:

1. distribution - the way in which national income is divided

2. national income - the aggregate earnings of all factors in current production

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READING XXXVI

DISTRIBUTING GOODS IN THE MARKET ECONOMY: THE SHARE OF LABOR

In the United States about two-thirds of national income is made up of wages and salaries. In determining how labor receives this share, it would simplify matters if we could study the fluctuations within the total labor market as total demand and total supply react upon each other. Unfortunately, labor encompasses so many different categories of work that it is more realistic to visualize a number of different labor markets, each market limited to a particular type of labor. Demand differs among the different labor markets because some types of labor are considered more valuable than others. Supply also varies in the different labor markets because some types of work are more atrractive or accessible to labor than others. Theoretically, wage differentials between different types of labor markets should reflect those differences in demand and supply.

If the market for each type of labor were perfectly competitive, wages, the determinant of labor's share in total production, would, of course, be established by impersonal market forces. Let's examine how this would work:

> "Wages tend to that level where demand and supply are equal. If supply exceeds demand, some men will be unemployed, and in their efforts to regain employment they will reduce the wages they ask to that level which makes it just worthwhile for employers to take them on. If demand exceeds supply, employers will be unable to obtain all the labor they require, and will therefore offer higher wages in order to attract labor from elsewhere."
>
> J. R. Hicks, THE THEORY OF WAGES

Several assumptions are implied by this theory of wages. In order for this statement to be true, what conditions are necessary? When you have finished today's reading, re-read Hicks' statement. Then list all the conditions that must exist in the labor market for Hicks' theory of wages to work. Write this list down. It will be collected in class tomorrow.

Today's reading is a transcription of an interview with a young New Englander who is out of work. As you read, keep the following questions in mind:

1. Was the labor market as described by Hicks working for Raymond? Why or why not?
2. Which of Hicks' assumptions did not apply in Raymond's case?
3. How might Raymond's situation have been improved?

THE JOB HUNT: AN INTERVIEW

The following interview* was taped in a New Hampshire mill town in 1948, shortly after the biggest textile plant there closed down most of its operation. The young man being interviewed had been a rolling machine operator before the shutdown; he lives with his mother, his wife, and his children. The wife was still employed at the time of the interview.

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* Charles A. Myers and George P. Shultz, DYNAMICS OF A LABOR MARKET, (New York: Prentice-Hall, 1951) 207-212 passim.

Interview with poorly educated married and unemployed worker who will not leave his home to look for other work nor use facilities of State Employment Office. His reasons are given in his own language.

Glossary:

1. wages - the price paid for the use of labor
2. total national production (gross national product) - the money value of all goods and services produced within a country during a specific period of time

READING XXXVII

DISTRIBUTING GOODS IN THE MARKET ECONOMY: THE SHARE OF RENT, INTEREST, AND PROFIT

Let's review:

1. In a market economy goods are produced for those who want them and can afford to purchase them.
2. Each individual's ability to share in total production, therefore, depends upon his income.
3. Income is distributed among the factors of production in terms of wages, rent, interest and profit.
4. a. wages are paid as a return for labor
   b. rent is paid as a return for use of non-human factors of production such as land and equipment
   c. interest is paid as a return for the use of money
   d. profits are paid as a return for risk-taking on the part of the entrepreneur.
5. The share of income received by each factor of production is determined by the extent to which each factor contributes to the value of total production.
6. Value is established by the consumer by his willingness to purchase.

These are the fundamental principles necessary for an understanding of how the pure market system answers the question, "For whom are goods produced?" But, in actual practice, there are, of course, some important deviations from this model in the markets for all factors of production, and any discussion of one payment to a factor of production, profits, is further complicated by (i) value judgments and (ii) confusion in definitions. Over the years a controversy has raged concerning not only what part of total production is the rightful share of profits, but even whether profit should receive any share of goods produced. In short, everyone has a judgment on profits -- but it isn't always clear whether these judgments really represent differences in values (ethics) or differences in the way profits are defined.

In its most common usage, profit is simply what is left after a businessman has met his expenses. The economist usually qualifies this definition by stating that a business does not return a profit until it has met its expenses and these expenses must include a return on the money invested in the business equal to the amount that money could earn elsewhere. This difference in definition has led to much controversy. The businessman sometimes feels that the economist is unsympathetic to the profit motive because he seems to be saying, "Profits aren't necessary in the society." But what the economist is actually saying is more likely to be, "Profits in the sense of a return over and above the going rate of return on money in comparable investments elsewhere aren't necessary in the society." That is, the economist sees those extra profits above the going rate of return as signals to other businessmen to enter that field and share that extra return.

Profits fulfill several key roles in a market society.

1. They attract funds necessary to establish and operate businesses.
2. They act as signals to encourage investment where consumer demand is large and to discourage it where demand is small.
3. They serve as a measure of how well individual business firms are performing.
4. They encourage men to experiment with new ideas, new products, and new approaches to producing old products.
5. They provide existing firms with funds for expansion and research.

Profits vary from firm to firm. In 1962 the Gillette Corporation showed a profit of 40% on invested capital while, the same year, the Curtis Publishing Company operated at a loss of $19,000,000. Factors accounting for these differences include:

1. Management efficiency
2. Success in introducing new products
3. Changes in demand for products
4. Degree of monopoly power held by firm in question.

The reading for today is a businessman's plea for better understanding of the role of profits in the American economy. As you read, consider the following:

1. Why is it important for the average American to understand the role of profits?
2. Is this reading a defense of every dollar that is called "profit"?

THE ESSENTIAL ROLE OF PROFITS

By John Harper, President of Aluminum Company of America,
Speech of May 23, 1963

Mr. Harper emphasizes business' need for profit incentive to improve American climate for economic growth. Says that currently the businessman can expect little more return on risk capital than in risk-free investment.

UNIT IX

STATING THE ISSUE

DISTRIBUTION IN THE MARKET ECONOMY: INEQUALITIES AND INEQUITIES IN INCOMES

In the last unit we learned that in a market economy the forces of supply and demand not only regulate production but also influence distribution. This mechanism neither insures nor aims at equality in incomes. In fact, unregulated, the market mechanism produces differentials in incomes reflecting differences in the values of contributions to national production.

In this unit we shall examine some of the inequalities in distribution that have developed in the American economy. Some of these inequalities are due to the functioning of the market economy. Many are not. Our task will be to try to sort out the inequalities that are natural products of well-functioning markets from those that are the products of malfunctioning markets. And we will look at some of the attempts now being made to remove the latter inequalities (which might better be called inequities) and to soften even some of the former equalities.

READING XXXVIII

RICH MAN - POOR MAN - U.S.A.

Since all men are not equally able, a system that guarantees individuals' freedom to compete is not going to result in everybody's sharing equally in the final product. Some of the differences in men's incomes then is natural enough in a market economy.

Today's reading presents recent income statistics for the American economy. As you study these statistics, keep in mind the following questions:

1. What determines whether the income differences set out in these tables represent "inequities" or simply "inequalities"?
2. What factors seem to affect a person's income?
3. How much influence does the market mechanism appear to have on an individual's position on the income scale?

Tables and charts included in this lesson from:

Herman P. Miller, RICH MAN, POOR MAN, (New York: Crowell, 1964) on distribution of family income 1929-1962, lifetime earnings based on occupation, effect of race on earnings in similar occupations.

BUSINESS WEEK, September 28, 1963; a graph showing income levels of skilled and unskilled, 1939-1961, showing that over the years there has been a slowing up in differences in income from lowest to highest.

Other tables used are in the public domain.

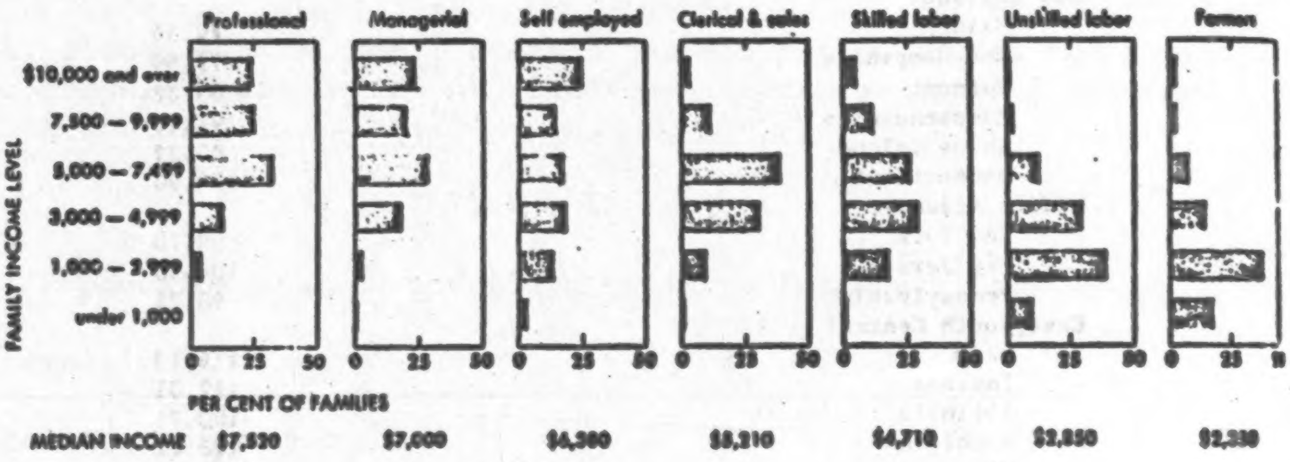
Table I: TO WHAT EXTENT HAS DISTRIBUTION BEEN CHANGING?

1. In what direction has distribution been moving?

Table II: HAVE INCOME LEVELS OF SKILLED AND UNSKILLED BEEN CHANGING AT THE SAME RATE?

1. Approximately what was the median wage of a semi-skilled factory worker in 1939?
2. What was the median wage of a semi-skilled factory worker in 1950?
3. By what percentage did the semi-skilled factory worker increase his median wage between 1939 and 1950?
4. By what percentage did his wage increase between 1950 and 1961?
5. How does this compare with the rate at which the median income of professional and managerial workers has been increasing over the years?

HOW IS AN INDIVIDUAL'S ANNUAL INCOME AFFECTED BY HIS OCCUPATION?
GRAPH I



Source: Federal Reserve Board

1. What occupational groups had the highest incomes in 1957?

2. What occupational groups had the biggest percentage of low incomes?

Table III: HOW ARE LIFETIME EARNINGS AFFECTED BY OCCUPATION?

1. What explains the large difference in lifetime earnings of the average doctor and the average carpenter?

2. Why might the doctor's lifetime earnings be almost $100,000 higher than the lawyer's?

TABLE IV *
HOW IS INCOME AFFECTED BY EDUCATION?

Years of School Completed	Lifetime Income (based on 1961 figures)	Mean Annual Income 1961
Elementary:		
Less than 8 years	$124,930	$3,483
8 years	168,810	4,750
High School:		
1 to 3 years	193,082	5,305
4 years	224,417	6,102
College:		
1 to 3 years	273,049	7,392
4 years or more	360,640	9,530

1. What effect does education seem to have on income?

2. Does this table prove that everyone who goes to college will get more than everyone who does not?

* Source: STATISTICAL ABSTRACT, 1964, Wash., D.C., Government Printing Office.

TABLE V *
HOW DOES INCOME VARY GEOGRAPHICALLY?

State and Geographic Division	Average Weekly Earnings, 1963
United States	$ 99.38
New England:	
Maine	79.56
New Hampshire	77.59
Vermont	83.22
Massachusetts	91.16
Rhode Island	83.22
Connecticut	104.90
Middle Atlantic	
New York	98.78
New Jersey	104.90
Pennsylvania	98.21
East North Central	
Ohio	116.13
Indiana	112.01
Illinois	108.71
Michigan	128.27
Wisconsin	106.41
West North Central	
Minnesota	104.58
Iowa	105.47
Missouri	98.41
North Dakota	101.08
South Dakota	97.95
Kansas	107.54
South Atlantic	
Delaware	104.30
Maryland	104.44
District of Columbia	110.00
Virginia	80.16
West Virginia	104.40
North Carolina	68.88
South Carolina	70.11
Georgia	73.38
Florida	85.28
East South Central	
Kentucky	94.77
Tennessee	79.58
Alabama	85.46
Mississippi	68.28
West South Central	
Arkansas	69.83
Louisiana	100.62
Oklahoma	93.75
Texas	97.29
Mountain	
Montana	106.00
Idaho	96.56
Wyoming	102.49
Colorado	109.34
New Mexico	92.84
Arizona	107.87
Utah	109.21
Nevada	123.78
Pacific	
Washington	112.50
Oregon	106.90
California	115.78
Alaska	145.68
Hawaii	77.52

1. Does the state in which a man lives affect his earning capacity?

2. What might explain some of the regional differences? (Use the demand and supply tools of analysis developed in Unit IV.)

* Source: STATISTICAL ABSTRACT, 1964.

READING XXXIX

INEQUALITIES AND INEQUITIES IN DISTRIBUTION: THE NON-WHITE

In the previous lesson, we saw some of the factors that affect a man's share in total national income. Some of these factors, such as education and skill, actually influence a person's ability to contribute to total production. The differences in income which flow from these factors can be justified in economic, if not always in ethical, terms. But other factors, notably race, may affect an individual's opportunity to contribute to total production. Here the differences in income are hard to justify in economic terms and, for many Americans, impossible to justify in ethical terms.

Today's reading looks more closely at the racial differences in the opportunity to compete in labor markets. As you read, consider these questions:

1. How great an economic handicap has race been in the past?
2. In what way does the existence of such inequities exact a price from the entire community?
3. What seems to you to be the best solution to this problem? Why?

TABLE I
HOW DOES RACE AFFECT A MAN'S SHARE IN TOTAL INCOME?

Occupation	Median Earnings White	Median Earnings Non-white
Engineers	$7,452	$7,076
Medical & other health workers	7,953	4,642
School teachers	5,701	4,450
Farmers & farm managers	2,324	788
Managers, officials & proprietors	6,719	3,869
Mail carriers	5,309	5,101
Sales workers	5,306	2,809
Construction craftsmen	4,839	2,855
Foremen	6,651	4,791

1. According to these figures, is there any occupation in which non-whites receive equal pay for equal work?

TABLE II
REGIONAL DIFFERENCES IN INCOMES, 1959

State	Average incomes Whites	Average incomes Negroes	Negroes' income as % of whites'
United States (overall)	$4,337	$2,254	52%
Northeast			
Massachusetts	4,452	3,063	69
New York	4,812	3,372	70
Pennsylvania	4,369	3,246	74
North Central			
Ohio	4,903	3,492	71
Indiana	4,483	3,520	79
Illinois	5,056	3,651	72
West			
California	5,109	3,553	70
South			
Kentucky	2,938	1,787	61
Florida	3,769	2,080	55
Texas	3,756	1,916	51
Georgia	3,420	1,510	44
Louisiana	4,001	1,609	40
Mississippi	2,796	904	32

1. Is there any area of the country in which the income of non-whites equals the income of whites?

* * * * * *

Loren Miller, "Prosperity Through Equality," NATION, September 21, 1963.

Article starts with premise that if all the Negroes were somewhere else, say in a country of their own on the coast of Africa, they would readily qualify for foreign aid. The author states that there is a need for some internal Marshall Plan to close the existing gap between Negroes and whites which is becoming greater. States that legislation to eliminate color barriers alone would not materially improve the position of the Negro. Government sponsorship of a program to speed up the process is needed but it is bound to meet with much opposition and bitterness unless it could be effectively demonstrated that such a program would be of an advantage to all Americans.

3

Glossary:

1. depressed area - geographical area in which average incomes are appreciably lower and the unemployment rate is critically greater than the national average
2. underdeveloped nations - nations having low level of technology; likely to be dependent on one industry, usually agriculture; having widespread illiteracy, scarcity of skilled labor, and governments with limited capacity to plan and administer development programs
3. median income - level of income at which number of individuals or family units receiving larger incomes equals number of those receiving smaller incomes
4. Marshall Plan - originally a plan for American aid to countries economically impoverished by World War II based on theory that the strength of American economy was affected by economic welfare of others; later extended to other underdeveloped nations
5. ghetto - a section of a city in which members of a racial or a religious group are segregated by formal or, more often, informal devices
6. metropolitan complexes - closely related urban areas
7. black-belt counties - counties having very high percentage of Negro population
8. racial stratification - status arrangements based on race
9. national income - total income earned by all factors of production during specified time, usually one year
10. gross national product - the money value of all goods and services produced within a country during a specific period of time

READING XL

APPROACHES TO EQUALIZING INEQUITIES IN DISTRIBUTION

In seeking solutions to the problems of poverty, we are confronted by the fact that the causes of poverty seem to perpetuate themselves. For example, the past two readings have indicated that those receiving the smallest share of national income are most likely to be uneducated, unskilled, non-white, or living in a depressed area. The more of these characteristics an individual has, the smaller his share of national income is likely to be. We also know that children born to the uneducated tend to be poorly exposed to education; that the non-white child who is deprived access to equal educational opportunities becomes doubly handicapped; that the aged, who also tend to get smaller shares of the national income, are becoming an ever-increasing proportion of our population; that the unemployed trapped in depressed areas have had little to offer their children but despair. None of these is a problem that will disappear with time alone. They are, instead, problems representing growing challenges to the economic wellbeing of the communities in which they exist.

Many Americans now believe that society cannot afford to ignore the poor. The wellbeing of the total economy is closely related to the maintenance of high levels of employment and an adequate standard of living for all families. Poor families represent poor purchasers of goods, poor sources of tax revenue to pay for needed municipal services, and poor resources for growth in the economy.

Controversy exists however over the best way to attack the problems of poverty. Should an attack on poverty be the exclusive province of private enterprise? Is this a rightful concern of the government? Or is it going to take the combined efforts of private and governmental agencies to solve this problem?

Those who propose to eliminate the problems of poverty through private actions point to the success of private pension plans in improving the economic wellbeing of the aged. Over 20,000,000 workers are currently covered by such plans. Advocates of the elimination of poverty through private actions also point out the increase in assets represented by private savings accounts, the large number of government bonds held by individuals, the growth of credit-union accounts, the popularity of private health-care and hospitalization plans, the amount of savings in the form of home purchases. All of these arguments demonstrate that strides have been made privately in providing security for millions of Americans formerly unprotected and threatened by poverty.

Those who propose to eliminate the problems of poverty through governmental programs counter by pointing to the magnitude of the problem and to the millions of Americans who never have access to private security plans -- the chronically unemployed who do not have employers to protect them with pension plans, the marginal worker who never earns enough to provide beyond today and has no savings account, health insurance, or credit-union account.

From the economist's point of view, a wide range of supplementary questions such as the following is raised by this controversy.

From the point of view of the total economy, which method of financing increased security for all citizens is preferable:

A. Financing through private methods presumably increases employer costs and eventually must lead to higher prices.

B. Financing through public methods produces costs which must normally be reflected in higher taxes.

Which impact is preferable? Through one route, the costs of greater security are faced by us as consumers; through the other route, the costs are faced by us as taxpayers. Which route seems preferable to any man is likely to be a product of his value judgments.

Come to class tomorrow prepared to debate the topic:

RESOLVED: That, all things considered, the most effective attack on the problems of poverty will be made through primary reliance on private mechanisms rather than governmental programs.

BOTH SIDES, WHEREVER POSSIBLE, SHOULD PRESENT SOUND ECONOMIC JUSTIFICATION FOR THEIR POINT OF VIEW. BOTH SIDES SHOULD AIM AT SHARP DISTINCTIONS BETWEEN ECONOMIC FACTS AND ANALYSIS ON THE ONE HAND AND VALUE JUDGMENTS ON THE OTHER.

UNIT X

STATING THE ISSUE

DISTRIBUTION IN THE MARKET ECONOMY: RESTRAINTS ON THE MARKET MECHANISM

While the free operation of the forces of supply and demand insure a market economy that responds to consumer votes, it does not provide protection for the weak competitor. And, even as society champions the idea that success should go to the winner, it sometimes seeks ways to protect the loser against excessive harm. Thus, under certain conditions, society has not only condoned but has actually encouraged certain restraints on the free market mechanisms. Examples are agricultural price supports and wartime price ceilings. Unit X examines a few ways in which the American labor market has been restrained and calls upon you to analyze the consequences of exercising such restraints.

READING XLI

GROWTH OF AMERICAN LABOR UNIONS

Considering the present strength of large, national labor unions, it may be difficult to imagine that not so many years ago unions were fighting for their very existence. Labor historians disagree about what might be considered the first trace of labor unionism in America, but there is no disagreement on the conditions that led to scattered attempts to establish unions. During the nineteenth century, various worker groups organized movements to reduce working hours, to increase wages, and to improve working conditions. However, in general, unions were not widely accepted in our early history. Until 1842, a labor union was considered a criminal conspiracy by the courts. And even after that date, a wide range of what are now common union activities were considered to be illegal.

The first important national union was the Knights of Labor founded in 1869 as a secret society. Their leaders were mild and non-belligerent. They talked much, did little, and lasted only until the 1880s when the American Federation of Labor, a loose federation of craft unions, was formed. Over the last half of the 1800s, some of the more arrogant practices of big business gradually began to change segments of public opinion from complete intolerance of labor unions to grudging acceptance, but unions still found little sympathy in the courts. In the 1930s the tide of public opinion began to swing away sharply from complete employer control of the labor market, and in the last year of the Hoover administration and the years of the Roosevelt New Deal aggressive pro-labor legislation was passed.

The National Labor Relations Act (commonly known as the Wagner Act), passed in 1935, has since stood as the base of modern labor legislation. This Act:

1. **confirmed labor's right to unionize**
2. **required employers to bargain with whatever union the workers chose to represent them and forbade employers from interfering in that union's affairs**
3. **outlawed the use of the economic power of hiring, firing, etc. as a way to keep men from joining unions**
4. **set up the National Labor Relations Board (NLRB) for conducting elections among workers to see if they wanted a union and for enforcing the Act's restrictions on employer conduct.**

Protected by law, union organizers went to work and union membership grew fast. 1935 saw the formation of the C.I.O., the first national federation of industrial unions. During the 1930s public sympathy was somewhat more pro-labor and union membership more than doubled. By 1945, with the help of the Wagner Act, with the new organizing drives among the unskilled and semi-skilled, and with the full employment of the war years, unions had 15,000,000 members.

The new strength of the unions, which sometimes led to open defiance of the federal government by a few labor leaders, convinced most legislators that organized labor's power had gone too far. In 1947, Congress passed the Taft-Hartley Act, restricting union power. In 1959, the Landrum-Griffin Act was passed in response to pressure for action to curb some of the abuses within the unions themselves.

For those who have only known an America in which unions are an accepted institution, it is hard to conceive of a time when the right of unions to exist was debatable. Today's reading will recreate a few incidents and moods in the history of unionism in this country. This is far from being a complete history; rather it is a series of snapshots that tell bits and pieces of the whole story. After you read these excerpts, write an answer to this question:

1. Why was opposition to unionism so strong in the American past?
2. How might each of these episodes out of the past be expected to have an influence on union and management attitudes in the 1960's?

EPISODES IN AMERICAN LABOR HISTORY

A. THE CORDWAINERS AND THE COURTS, 1806

America's first major law case involving labor unionism came in 1806. A group of Philadelphia shoemakers (or "cordwainers") were brought into court for forming an organization whose purpose was to raise wages for its members. There was no written law to cover the situation. The presiding jurist, Recorder Levy, had therefore to fall back upon "common law" for his decision. Here is the heart of that decision:

> It is proper to consider, is such a combination consistent with the principles of our law, and injurious to the public welfare? The usual means by which the prices of work are regulated, are the demand for the article and the excellence of its fabric. Where the work is well done, and the demand is considerable, the prices will necessarily be high. Where the work is ill done, and the demand is inconsiderable, they will unquestionably be low. If there are many to consume, and few to work, the price of the article will be high; but if there are few to consume, and many to work, the article must be low.
>
> To make an artificial regulation [such as a union] is an unnatural, artificial means of raising the price of work beyond its standard, and taking an undue advantage of the public. What then is the operation of this kind of conduct upon the commerce of the city? It exposes it to inconveniences, if not to ruin; therefore, it is against the public welfare. ...

> Such a practice would take away all the excitement to excell in workmanship or industry. Consider the effect it would have upon the whole community. If the masters say they will not sell under certain prices, as the journeymen declare they will not work at certain wages this, if persisted in, would put the whole body of the people into their power. Shoes and boots are articles of the first necessity. In every point of view, this measure is pregnant with public mischief and private injury...tends to demoralize the workmen...destroy the trade of the city, and leaves the pockets of the whole community to the discretion of the concerned.

B. LABOR'S REJECTED PHILOSOPHY: ANARCHISM, 1885

Over its history, the American unions have encountered many men who have sought in vain to give them a more radical philosophy than they have generally accepted. One of the most eloquent spokesmen for such a swing to extreme radicalism was an anarchist named Parsons, whose answer in 1885 to labor's problems was easily summed up in one word:

> Dynamite! Of all the good stuff, that is the stuff! Stuff several pounds of this sublime stuff into an inch pipe (gas or water pipe), plug up both ends, insert a cap with a fuse attached, place this in the vicinity of a lot of rich loafers who live by the sweat of other people's brows, and light the fuse. A most cheerful and gratifying result will follow. In giving dynamite to the downtrodden millions of the globe, science has done its best work. The dear stuff can be carried in the pocket without danger, while it is a formidable weapon against any force of militia, police, or detectives that may want to stifle the cry for justice that goes forth from the plundered slaves. It is something not very ornamental, but exceedingly useful. It can be used against persons and things. It is better to use it against the former than against bricks and masonry. It is a genuine boon for the disinherited, while it brings terror and fear to the robbers. A pound of this good stuff beats a bushel of ballots all hollow - and don't you forget it! Our lawmakers might as well try to sit down on the crater of a volcano or on the point of a bayonet as to endeavor to stop the manufacture and use of dynamite. It takes more justice and right than is contained in laws to quiet the spirit of unrest.

C. LABOR'S REJECTED PHILOSOPHY: SOCIALISM, 1903

Samuel Gompers was the dominant figure of the American Federation of Labor in the early 20th century. It was he who most eloquently spoke for a brand of unionism that would reject socialism and would instead turn American unions to work within the framework of a modified free enterprise system. Here is the case he stated in 1903 against socialism as a philosophy for labor.

> Our friends, the Socialists, always when with us have an excellent conception of the trouble in our industrial life. They say, as we say, and as every intelligent man or woman says, that there are miseries which surround us. We recognize the poverty, we know the sweatshop, we can play on every string of the harp, and touch the tenderest chords of human sympathy; but while we recognize the evil and would apply the remedy, our Socialist friends would look forward to the promised land, and wait for "the sweet by-and-by." Their statements as to economic ills are right; their conclusions and their philosophy are all askew. ...
>
> I want to tell you, Socialists, that I have studied your philosophy; read your works upon economics, and not the meanest of them; studied your standard works, both in English and German--have not only read, but studied them I have heard your orators and watched the work of your movement the world over. I have kept close watch upon your doctrines for thirty years; have been closely associated with many of you, and know how you think and what you propose. I know, too, what you have up your sleeve. And I want to say that I am entirely at variance with your philosophy. I declare it to you, I am not only at variance with your doctrines, but with your philosophy. Economically, you are unsound; socially, you are wrong; industrially, you are an impossibility.

D. THE CASE FOR MANAGEMENT'S DIVINE RIGHT, 1902

In 1902, President Baer of the Philadelphia and Reading Railroad received a request from a newspaperman that there should be a meeting of labor and management to settle the strike then in progress on the railroad. Baer's answer presents a blunt defense of management's right to run the business free of unionism:

> I see you are evidently biased in your religious views in favor of the right of the working man to control a business in which he has not other interest than to secure fair wages

> for the work he does. I beg of you not to be discouraged. The rights and interests of the laboring man will be protected and cared for, not by the labor agitators, but by the Christian men to whom God in his infinite wisdom has given control of the property interests of the country. Pray earnestly that the right may triumph, always remembering that the Lord God Omnipotent still reigns and that his reign is one of law and order, and not of violence and crime.

E. THE YELLOW DOG CONTRACT, 1917

Sometimes, in order to qualify for a job, workers were required to pledge that they would not join a union. It was not until 1932 that Congress declared these contracts to be non-enforceable in the courts. This example of such a contract comes from 1917:

> I am employed by and work for the Hitchman Coal and Coke Company with the express understanding that I am not a member of the United Mine Workers of America and will not become so while an employee of the Hitchman Coal and Coke Company, and that the Hitchman Coal and Coke Company is run non-union and agrees with me that it will run non-union while I am in its employ.
>
> If at any time while I am employed by the Hitchman Coal and Coke Company I want to become connected with the United Mine Workers of America, or any affiliated organization, I agree to withdraw from the employment of said company, and agree that while I am in the employ of that company I will not make any effort amongst its employees to bring about the unionizing of that mine against the company's wish. I have either read the above, or heard same read.

F. STEEL FIGHTS FOR THE "OPEN SHOP", 1919

Judge Elbert Gary, head of the United States Steel Corporation, was one of the more vigorous fighters for the principle of the "open shop" in 1919. Technically the term meant a shop in which a man was free to join a union or not as he saw fit; practically, it meant a shop without a union. The core of Judge Gary's case, as presented to his fellow employers in steel, was this:

> Every proposition contended for by the labor unions at the National Industrial Conference at Washington led to domination of the shops and of the men by the union labor leaders. Every position taken by the other side centered on the open shop. This is the great question confronting the American people and, in fact, the world public. From 80 per cent to 90 per cent or more of labor in this country is non-union.

> It is for them and the employers generally, and the large class of men and women who are not, strictly speaking, employers or wage earners to determine whether or not it is best for the whole community to have industry totally organized.
>
> Judging by experience, we believe it is for the best interest of employer and employee and the general public to have a business conducted on the basis of what we term the "open shop," thus permitting any man to engage in any line of employment, or any employer to secure the services of any workman on terms agreed upon between the two, whether the workman is or is not connected with a labor union. The verdict of the people at large will finally decide this question, and the decision will be right. ...
>
> Considerable has been said in public of late concerning the attempt to spread the doctrine of Bolshevism in this country. All of us have known for some time that this disease is persistent, and that there has been some inoculation even in this best of countries. Still, we deny that there is danger of serious trouble. There is only one way to treat this disease, and that is to stamp it out; to meet it boldly wherever it can be found; to expose it and give it no chance for development.

G. THE CHURCH AND THE STEEL STRIKE, 1919

Labor sometimes faced the opposition of the clergy as well as of the government and the employer. More often this was true of Protestant clergy, but this following example of a sermon comes from St. Brendan's Roman Catholic church in Braddock, Pennsylvania, on September 21, 1919:

> This strike is not being brought about by intelligent or English-speaking workmen, but by men who have no interest in the community, are not an element of our community, and who do not have the welfare of our men at heart. ...
>
> But - you can't reason with these people. Don't reason with them. You can't, any more than you can with a cow or a horse. ...And that's the only way you can reason with these people: knock them down!
>
> We dare those outsiders to start a little gun music on our streets, and they will quickly see how long we will stand it. ...
>
> In case this strike should take place, and there is a riot, I want to give you people a solemn warning; smother your curiosity. Let the women keep off the streets with

> their children, and give the men a clear field, and we will show these hoodlums what we are. I want all these men that have been abroad to put themselves at once under the direction of the men in authority who can use them. Show them that you fought for liberty abroad, and will maintain liberty at home!

H. THE POWER OF THE INJUNCTION, 1921

Court orders to restrain unions from organizing efforts were among the most powerful weapons available to employers up until 1932. An example of such a restraining order (or injunction) is this one obtained by American Steel Foundries against the Tri-City Central Trades Council in 1921:

> "...perpetually restrained and enjoined from in any way or manner whatsoever by use of persuasion, threats of personal injury, intimidation, suggestion of danger or threats of violence of any kind, from interfering with, hindering, obstructing or stopping any person engaged in the employ of the American Steel Foundries in connection with its business or its foundry in the City of Granite City, County of Madison, State of Illinois or elsewhere; and from interfering by persuasion, violence or threats of violence in any manner with any person desiring to be employed by said American Steel Foundries in its said foundry or plant; ... and from assembling, loitering or congregating about or in proximity of the said plant or factory of the American Steel Foundries for the purpose of doing, or aiding or encouraging others in doing, any of the said unlawful or forbidden acts or things; and from picketing or maintaining at or near the premises of the complainant, or on the streets leading to the premises of said complainant any picket or pickets, and from doing any acts or things whatever in furtherance of any conspiracy or combination among them, or any of them, to obstruct, or interfere with said American Steel Foundries, its officers, agents or employees, in the free and unrestrained control and operation of its plant, foundry and property and the operation of its business; ..."

I. THE INDUSTRIAL ESPIONAGE SYSTEM, 1934

In their continuing attempts to fight the unionization of their plants, some employers turned to the use of spies to tell them who the potential trouble-makers were in their plants. Here is a letter soliciting business for one of the chief detective agencies offering such spy services to industry:

June 23, 1934

Mr. William Bromfield,
Manager, United Autographic Register Company,
5000 S. California Avenue, Chicago, Illinois.

Dear Sir: We desire to offer you the services of our industrial and crime prevention departments.

If there is suspicion of activity among employees adverse to your interests, we can put an "undercover" operative in your plant as an employee of yours and he will study the personnel and work discreetly to learn who, if any, may be disturbers.

The cost of this work is moderate and its results are valuable.

Very truly yours,
The William J. Burns International
Detective Agency, Inc.,
Geo. W. Donnan, Assistant Manager

J. THE FIGHT TO ORGANIZE: FORD MOTOR CO., 1927

By 1937, the Wagner Act was law and presumably it was illegal for any employer to interfere with the self-organizing activities of his employees. But the Ford Motor Company continued its open fight with the unions up until 1941. The story of violence at the gates to Ford properties was unusual only because it was so late in the 1930's; a similar story of violence could have been told at many other plants in the country just a few years or months before this story appeared in NEWSWEEK on June 5, 1937:

NEWSWEEK story of management brutality at River Rouge plant of Ford Motor Company when U.A.W. came onto company property with organizers, leaflets, and assorted observers.

K. VIOLENCE ON THE LABOR SIDE, 1947

Violence in organizing campaigns and in strikes has seldom been a one-sided story in American history. Even with the protection of their organizing activities under the Wagner Act, some unions continued to use violence as a way of inducing men to join or stay in their ranks. This excerpt is from hearings that preceded the passage of the Taft-Hartley Act and is the testimony of a lumber manufacturer from California:

> (a) On January 28, 1847, about 60 union pickets without warning surrounded a small plant in which 25 or 30 men were employed, blocking ingress and egress, injuring four or five of the workmen, hurling rocks through windshields and windows of cars, breaking all the plant windows that could be reached, and causing a complete shut-down. One truck driver who suffered face cuts and a broken nose fired four shots at the strikers, but no one was hit. These acts of terrorism made the resumption of operations at the plant impossible, and the four young owners, all veterans of this war, I am informed,

faced with financial disaster and danger to their own and their employees' families, were forced to sign a union shop contract on February 9, 1947. I am informed that when this demand for a closed shop contract was made on these young men, the union did not even pretend to represent a majority of their employees.

(b) Violence was used in an attempt to force another small operator, employing 35 or 40 men, to grant union shop. This plant had been picketed since January 9, 1947, but had been operating despite the picket line. On February 4, 1947, about 40 pickets broke windshields, windows, and lights of 9 cars and hospitalized 4 workers. Two days later there was then a recurrence of violence, resulting in the dispersal of the pickets and the wrecking of two of their automobiles. The workmen in the plant, in order to protect themselves against union "good squads," came to work armed with rifles and shotguns, and we understand that at this writing these men are still armed. Seven of the "goon squads" have been indicted by the Mendocino County grand jury on felony counts.

The violence at these two small plants unquestionably was for the purpose of coercing these two, and other small mills in the redwood area, to sign union shop contracts. When union chieftains were requested to curb the violence of the pickets, their only reply was that if the operators were going to try to haul "hot" lumber away from their "unfair" plants, they would have to face the consequences.

(c) The illegal acts and the acts of violence to which attention has been called by no means comprise all such acts of which the union is guilty. At several of the other struck redwood plants, workmen have been threatened and beaten up, tacks have been strewn on roads over which the employees' cars and the employers' log and lumber trucks had to travel, truck drivers have been threatened with bodily harm and with the overturning and destruction of their trucks, besides being actually assaulted. In addition, nonunion workmen's families have been threatened and rocks have been thrown through the windows of their homes.

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READING XLII

HAVE UNIONS GROWN TOO STRONG?

In the 1930's, a popular argument concerned the right of labor to protect itself against employers. In the 1960's, the debate has changed its emphasis and current controversy concerns the right of the public to be protected. Organized labor now faces public opinion that wavers between concern for the unions that so recently struggled for existence and the suspicion that these same unions may have grown too strong. Arguments for limiting union strength come from a variety of sources. There are businessmen, for example, who not so long ago were bitterly condemning government interference in the labor market but who now are calling for laws to restrain unions. Some liberals who crusaded for labor's right to unionize bemoan today's union leadership and express public fears on some aspects of union power. Government officials elected with strong labor support tend sometimes to by-pass the process of "free" collective bargaining in favor of public and government pressure.

As individuals living in a world of change and choice, we are constantly faced by the need to take sides in such controversies. This is difficult, for the facts are confusing, the alternatives hard to define, and the consequences unclear.

Today's reading introduces the problem, "Should Anti-Trust Laws Be Used to Curb Union Power?" After you have read the following, write a one- or two-sentence answer to each of these questions:

1. Wherein do these two statements use economic arguments that can be evaluated for their soundness? Wherein do they use colored words or phrases that may add zest but do not add analysis?
2. What further questions would you want to answer before you come to a firm conclusion on whether or not union power should be curbed by application of anti-trust laws?

Three readings follow to demonstrate varying viewpoints on the role of anti-trust laws in curbing union powers.

The National Association of Manufacturers says that power is given unions for monopoly which is denied management. Says that unions use this power to inhibit technological advances which may jeopardize their jobs.

CIO considers the union "monopoly" label as big business propaganda.

Strom Thrumond's article is in the public domain and is included.

III

By Hon. Strom Thurmond, U.S. Senator, South Carolina, Democrat. From remarks made on the floor of the U.S. Senate on July 20, 1961 and from a statement subsequently released by Senator Thurmond.

"There exists in our laws today one exemption creating in a select group a privileged status which in effect is oppressive to the public generally and is of such magnitude that in time, if not corrected, it may well undermine our entire economic system. The matter to which I refer is the exemption of labor unions from antitrust laws.

"The economic system utilized by the United States is based on competition, and without this element the essential distribution of goods would break down and degenerate under the pressures of monopolies and cartels such as those prevalent in other free enterprise countries. ...Soon after our Nation began to industrialize in earnest, it became apparent that the only way to prevent enormous concentrations of economic power, which, in turn, lead to concentrations of political power, was through the enactment and enforcement of what is commonly known today as antitrust laws. When these laws were first enacted, the economic and political power concentrations sought to be eliminated were in the hands of industrialists and financiers. The lesson of the abuses which took place prior to the enactment and subsequent enforcement of the antitrust laws should have demonstrated clearly that such power concentration should not be permitted to exist in any group. Unfortunately, however, efforts to correct the immediate abuses overshadowed the larger lesson; and the antitrust laws were so developed that they did not destroy the possibility of such economic and political power concentrations, but merely shifted the control and utilization of such power concentrations to a different economic class or group. Such a shift was more by chance than by design, but the fact remains that an exemption from the antitrust laws was acquired by labor unions and the power that derives therefrom not only still exists, but is exercised by them today. The exemption of a particular group - in this instance, labor unions - from the application of the antitrust laws is an inequity of omission which should be corrected immediately." ...

Glossary:

1. anti-trust laws - legislation prohibiting certain practices deemed to lead towards monopoly and restraint of trade
2. collective bargaining - bargaining by a committee or union representing individual employees with employers or groups of employers to arrive at agreements regarding wages, hours, or conditions of employment.
3. national unions - superstructure designed to establish and carry out national policies for local member unions

4. **international unions - labor union with members in other countries (in the U.S., the term usually refers to unions with members also in Canada)**

5. **bargaining agents - union chosen by employees to represent them through collective bargaining**

6. **featherbedding - rules included in contracts negotiated by unions maintaining certain jobs for the purpose of protecting employment of union members**

7. **cartels - an agreement among businessmen of various countries setting prices, territories, etc. where each may sell**

* * * * *

READING XLIII

EVALUATING THE RELATIVE RELIABILITY OF INFORMATION

I

Instead of reading in the text tonight, you are to read the entire editorial page of any newspaper you happen to have around. Underline examples of opinions you find that you think one might reasonably question. See if you can analyze why you question these opinions. Bring these examples to class tomorrow.

READING XLIV

EVALUATING THE RELATIVE RELIABILITY OF INFORMATION

II

Today you are to apply the criteria for analyzing the relative reliability of information suggested on the Class Handout given you yesterday. Bring to class as many examples as you can of information you consider questionable in view of these criteria.

READING XLV

EVALUATING THE RELATIVE RELIABILITY OF INFORMATION

III

Spend the time you would normally spend reading familiarizing yourself with the criteria for evaluating the relative reliability of information. Tomorrow you will be tested on your ability to apply these criteria.

READING XLVI

EFFECTIVENESS OF ANTI-TRUST LAWS IN CURBING UNION POWER

In order to equip ourselves with a few necessary tools, we became somewhat diverted from our original problem: Forming an opinion on the subject, "Should Anti-Trust Laws Be Used to Curb Union Power?" At this point, let us pick up where we left off and see if we can analyze what we are still lacking in order to form such an opinion. With the tools we now have, we could form an opinion on the subject based on evaluating the opinions of others. If an individual says he thinks anti-trust laws should be used to curb union power, we can examine who he is, what he says, and how he says it to decide whether or not we choose to agree with him. But suppose we don't want to base our opinions on evaluating what others have to say on the subject. How would we go about getting sufficient information to form an independent opinion? We certainly first would have to form opinions on a few sub-problems such as:

1. How effective have anti-trust laws been in the past in curbing power in product markets?
2. What costs have been associated with the enforcement of those laws and what have we gained as a result of them?
3. In what sense, if any, are unions too powerful today?
4. Are the excesses of union power, if any, likely to be effectively dealt with by anti-trust laws similar to those which apply in product markets?
5. What costs would be associated with the enforcement of such anti-trust laws in labor markets and what would we gain as a result of them?

We could form opinions on each of these questions exactly as we formed the last one, by finding somebody else's opinion and deciding whether we choose to agree with it. But suppose in our search we come across opposing opinions on the subjects that look equally reliable -- how do we then make up our own minds?

Today we are going to do just that, on the first two questions posed above. Read the following material. Evaluate it for relative reliability, then answer the question:

With which of the opposing points of view do you agree? Why?

* * * * * * *

This reading contains four different looks at anti-trust laws in an attempt to show differing views of whether they have been effective in curbing power, and at what cost for what gains.

I. George Leland Bach, ECONOMICS (Englewood Cliffs, N.J.:, Prentice-Hall, 1963) 456-458, passim.

A bit of history as to preventive force of anti-trust laws.

II. "The New Competition," in FORTUNE, June 1952, 98+.

States that the real achievement of the anti-trust laws is that they are always in the background when businessmen are making policy decisions.

III. Sylvester Petro, "The Growing Threat of Antitrust," in FORTUNE, November 1962, 128-129.

Fear that free enterprise cannot survive with this kind of government control.

IV. Alan Greenspan, "Bad History, Worse Economics Spawned Anti-Trust, Says Critic," in BARRON'S, February 5, 1962, 8+.

Self-explanatory title giving management consultant's view of anti-trust statutes in the United States.

Glossary:

1. oligopoly - industry in which there are only a few sellers of a particular commodity

2. trusts - term popularly applied to indicate any large scale business or combination of businesses with monopoly or near-monopoly power. Technically refers to an illegal combination of corporations.

READING XLVII

HOW STRONG IS TOO STRONG?

While we may have decided what side we favor in the argument concerning the effectiveness of anti-trust laws in product markets, we have still to determine whether we think union power needs curbing at all. (Reread the sequence of questions posed at the beginning of Reading 46) Certainly, if we were to form an opinion on this subject on the basis of any one incident in labor history, our judgments would range widely over the spectrum depending on the particular moment of history on which we focused our attention. Just how our judgments might change as the times change is the subject of today's lesson.

Reading 47 is a compilation of many items reproduced from the NEW YORK TIMES over the years. As you read each excerpt, be sure to note the date on which that particular item appeared. Imagine you are reading each story at the time it was written. Visualize yourself, sitting at the breakfast table, picking up the morning paper and reading the news of the day. Remember this is 1894, or 1921, or whatever the date indicates, and what you are reading is happening "today." As you read each item, ask yourself, "As of today, do I think unions are too strong?"

N. Y. Times, July 5, 1894, p. 1

A. "Bayonets Subdue Strikers." (The following is an incident in what became known as the Pullman Strike, led by labor leader Eugene V. Debs and involving many railroads.)

"...With rifles leveled and revolvers drawn, half of the Second Battalion Fifteenth Regiment, United States Infantry, proceeded through a dense mob of more than 5,000 men, boys, women, and children to their camp in the stock yards today.

"The train left the Lake Shore Station early this morning, but at 6 o'clock tonight was still on a side-track, not where the managers intended it to be, but close enough to the soldiers for them to unload their horses, ammunition, four Hotchkiss rifles, cannon, and supplies, and to go into camp, a wearied and jaded lot of men, not having slept for twenty-four hours and without food with the exception of a single hasty meal during that time.

"The day was a trying one for the troops and the police. ...

"The trouble began early in the morning. At 8 o'clock Swift and Co. tried to move their stalled meat train, east-bound, which the strikers had held in durance for forty-eight hours.

"Every obstacle was placed in the way of the employees of the big packer, and it was 11:30 before the train could be started out on its long journey.

"Even then the troops were obliged to charge the crowd with bayonets, before which, like a flock of frightened sheep, it fell back and permitted the train to move. ...

B. N. Y. Times, July 6, 1894, p. 2

"Governor (John P.) Altgeld...(protested) against the presence of United States troops in Chicago. To this the President responds:

" 'John P. Altgeld, Governor of Illinois, Springfield, Ill.

" 'Federal troops were sent to Chicago in strict accordance with the Constitution and laws of the United States, upon the demand of the Post Office Department, that obstructuion of the mails should be removed, and upon the representations of the judicial officers of the United

States that process of the Federal courts could not be executed through the ordinary means, and upon abundant proof that conspiracies existed against Commerce between the States.

" 'To meet these conditions, which are clearly within the province of Federal authority, the preserve of Federal troops in the City of Chicago was deemed not only proper, but necessary, and there has been no intention of thereby interfering with the plain duty of the local authorities to preserve the peace of the city.

Grover Cleveland' "

C. N. Y. Times, July 11, 1894, p. 1.

"Treason to the Government"
"...Americans love of order and American loyalty to the Government asserted itself in the Senate to-day. That dignified and sometimes slow old body, after putting up with maunderings of Peffer, the Populist... rebelled this morning when he indulged in the expression of sentiments (favorable to the striking Pullman workers)...with a unanimity that has not been noted for years shouted for the passage of a resolution declaring support of the President in his attitude of resistance to the mobs now obstructing the business of the country and threatening the public safety.

"So impetuous was the feeling that moved the Senate and so scorching was the attack upon the mischievous utterances of the Socialistic Peffer that the old man, cowering under the lash of Senator Davies crept from the Senate Chamber into the cloakroom. ...The patriotic speech of Senator Davies clear, strong, earnest, and crisp, with well-chosen and accurate words...has been the talk and admiration of all men today. ..."

D. N. Y. Times, July 11, 1894, p. 1.

"Debs in the Law's Grasp"
"Eugene V. Debs, President of the American Railway Union: George W. Howard, Vice President: Sylvester Kelíher, Secretary...were arrested this afternoon on warrants sworn out pursuant to indictments issued by the Federal Grand Jury. ...

E. N. Y. Times, July 18, 1894, p. 1

"Debs behind Prison Bars"
"...Eugene V. Debs, President of the American Railway Union, and his 'Cabinet' - Vice President George W. Howard, General Secretary Sylvester Keleher, and L. W. Rogers, Chairman of the Executive Committee...were taken to the county jail this afternoon as prisoners of the United States for violation of the injunction issued July 2...restraining them from combining and conspiring to hinder inter-state commerce traffic on the movement of United States mails. ...

* Further articles from NEW YORK TIMES:

II. 1921, Hatmakers enjoined against interfering with men or officers of the company.

III. 1935, Wagner Labor Act signed - Roosevelt's statement of bill's purposes.

IV. 1941, Supreme Court ruling that disputes between labor unions do not come within province of Sherman Anti-Trust Act.

V. 1945, Supreme Court rules that a labor union may not be sued under anti-trust laws.

VI. 1947, Taft-Hartley Bill approved by House as restraint on union power.

VII. 1947, Senate approves Taft-Hartley Bill.

VIII. 1959, Landrum-Griffin Act viewed gloomily by labor.

IX. 1961, Supreme Court nullifies decisions of NLRB designed to prevent compelling of union membership.

X. 1962, Textile company required to pay back wages to workers who lost jobs due to shut-down after workers had voted for union.

XI. 1963, World's Fair construction curtailed by refusal of union truck drivers to pass pickets.

XII. 1963, President of Teamster Union indicted for perjury.

Glossary:

1. quasi-judicial - having an effect similar to that of a court decision
2. mediator - a third party brought in to help parties to a dispute reach agreement
3. conciliation - process of settling dispute through mediation when mediator has no power to impose his decision, but can only suggest a solution
4. arbitration - process of settling dispute through mediation when mediator has power to impose his decision
5. indictment - the finding of a grand jury in a criminal case that there is reasonable ground to believe an accused person may be guilty
6. injunction - a court order restraining someone from doing something under penalty of contempt of court
7. secondary boycotts - refraining from dealing with anybody who uses the goods of an "offending" employer. Used by unions to put pressure on companies to settle disagreements

8. jurisdictional strikes - a disagreement between two or more unions as to which shall perform a given kind of work or which shall be representative of a given group of employees, with one of the unions striking to force an employer to yield. Outlawed by Taft-Hartley Act.

9. compulsory unionism - existence of union shop which permits employer to hire nonunion workers but provides that they must join the union as a condition of employment

10. closed shop - business firm in which only union members are employed. Illegal under Taft-Hartley Law.

11. pickets - workers carrying signs and banners advertising their complaints against an employer

12. union scale wages - wages set by union negotiated contract

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READING XLVIII

Today you are to write the introduction and title to the reading. When you have finished the reading consider why this particular reading was introduced here. What point is being made that relates to what we have already learned in this unit? When you have decided what you think is the purpose of the reading, write an introduction that would seem to highlight the point being made.

LABOR'S CRISIS OF PUBLIC CONFIDENCE*

* From A. H. Raskin, "Labor's Crisis of Public Confidence," in SATURDAY REVIEW, March 30, 1963, 21-25, passim.

Discussion of need for thought before rushing into legislative change in an attempt to control big unionism. Need to substitute reason for muscle on both sides of bargaining table. Growing realization that it is impossible to evolve satisfactory answers under crisis of strike deadline. Interdependence of all elements of our society.

UNIT XI

DISTRIBUTION IN THE COMMAND ECONOMY

STATING THE ISSUE

When the Soviet Union adopted a command economy as their model for making economic decisions, they found themselves facing the same problem with which the United States is coping. If you attempt to answer all economic questions within the confines of a stated theory, you are frequently faced with choosing between two conflicting goals -- both desirable by your own standards; both seemingly vital if you are to achieve your desired society. And you may find that what is desirable in theory may prove impossible in practice, at least in the short run; in this case the theory may serve as a sort of goal for some unspecified future date rather than as a guidepost for the present.

A theory of distribution was an exceedingly important part of the Communist ideology envisioned by early Soviet leaders. The problems they faced in translating this theory into practice will be discussed in the next unit.

What appeared to be an "ideal" solution to the distribution problem did not turn out to be a fully practicable one. The Soviet Union's ideal and the American ideal were not, of course, the same, but each one has had to make its compromise.

READING XLIX

DISTRIBUTION IN THE COMMAND ECONOMY: THEORY

From the outset, we have defined the key economic problem with which all societies must grapple as the allocation of limited resources among unlimited ends. Most recently, we have been looking at the issue of distributing the national income in the United States, i.e. of deciding who among all the possible claimants on the economy's goods will actually get them.

Now we want to see this same issue in a command economy. To see the sharpest contrast with the United States, we start today with a "pure" model of the distribution system towards which Marxists say they are eventually going to move. After that, we will look at distribution as it now works in the U.S.S.R.

Tomorrow's assignment, as you will see at the end of this short reading, is to prepare notes for a five-minute oral report on an assigned set of questions. To be effective, an oral report must be:

- concise, observing the time limit strictly
- complete, answering the key questions likely to be in the minds of your audience
- convincing, supporting your arguments with evidence or illustrative material
- interesting, holding your audience's attention by the value of what you say and the way you say it.

* * * * * * *

No words of any Communist theorist are as famous as one sentence from Karl Marx in 1875:

> "From each according to his abilities; to each according to his needs."

Here is at once the simplest and, under certain value systems, the most appealing system of distributing a society's goods. It answers the perennial question, "For whom shall goods be produced in a society?", by saying that these goods will be distributed according to men's needs alone. He who needs much, because of a large family, for example, would get much; he who needs little would get little regardless of his contribution to the society's wellbeing.

Neither Marx nor the major theorists who came after him saw this distribution system as an immediately attainable goal. Communism was to emerge only after years of life under a dictatorship of the proletariat. Only then would old habits of thinking that had flourished in capitalist days be wiped out. Only then, for example, would men be ready to work on behalf of the good of society as a whole without thinking solely of their own personal share in the goods produced. Moreover, the Marxian theory seemed to be aimed at a day when there would be enough to go around so that all men might at least live in minimum decency; obviously, his simple system of distribution crumbles if there is not enough to keep all men alive and in good health, for then one man can fulfill his basic needs only at the expense of someone else being able to meet his basic needs.

The contrast between this theory of distribution for the communist societies and the system which prevails in our system of free markets and of limited government intervention could scarcely be sharper. The Marx theory does not build any bridge between what a man does for the society and what he gets from it; yet our practice is to make such a bridge the most important part of our answer to the distribution question, "For whom shall goods be produced?" In our system, a man is rewarded with a better income if society places a high value on his services; he gets more money with which to buy available goods when his service is much in demand (and relatively short in supply) than when that service, however rare, is not wanted. In short, we use income distribution as a way to motivate men to produce whatever society values most. For us, the question of how another society could motivate men without using the incentive of personal material rewards is a puzzling one.

For purposes of this exercise, you are to assume three things:

(i) you are a planner in a society that has lived five decades under a high degree of central planning in setting differential wage rates and assigning workers to jobs.

(ii) your economy now produces sufficient goods so that there is enough of all the basic commodities to permit everyone to have at least the minimum food, shelter and clothing necessary for maintaining life in good health.

(iii) you want to move the society as rapidly as is now possible towards carrying out the Marxian prescription of "From each according to his abilities, to each according to his needs."

For tomorrow's class, you should be prepared to speak for five minutes from a prepared set of notes to your fellow planners on the following questions:

> "If we start to reward everyone according to his needs only, how can we be sure that enough workers will enter each of the occupations that are important to the society? How, for example, will we get enough people to these occupations, each of which has some rather obvious disadvantages associated with it:
>
> Coal miner
> Garbage collector
> Brain surgeon
> Construction worker in northern Siberia
> Astronaut

READING L

DISTRIBUTION IN A COMMAND ECONOMY: THE NEED FOR INCENTIVES

Karl Marx built his economic analysis on the idea of a constantly changing world in which the outlines of the society were determined by methods of production and distribution. In the words of Friedrich Engels, Marx's friend and collaborator, "...in every society which has appeared in history the distribution of the products, and with it the division of society into classes or estates, is determined by what is produced and how it is produced, and how the product is exchanged. According to this conception, the ultimate causes of all social changes and political revolutions are to be sought... not in the philosophy but in the economics of the epoch concerned." Thus every society will pattern its laws and customs around the way in which it organizes itself in order to meet changing economic needs.

The world in which Marx lived dramatically portrayed the impact of economic change upon the structure of societies. The closed society of feudalism had been transformed by industrialization. Industrialization stimulated the development of new social classes resulting from the redistribution of both wealth and power. Within this pattern of economic and social change, Marx saw a system of capitalism developing which, according to his analysis, would bear the seeds of its own destruction. He argued that capitalism would destroy itself economically and socially because of its competitiveness. He predicted that capitalism would produce a class of workers, the proletariat, destined to revolt against what he considered their natural oppressors, the capitalists.

It was left to the Russian revolutionaries and their successors to begin the job of translating these Marxian theories into practical working policies. What they have learned in the almost 50 years that communism has held sway in Russia is perhaps the same lesson that men learned in the complicated capitalist societies: it is a long way from theory to practice in the real world.

Since the self-destructive tendencies of capitalism seemed rooted in the competitiveness of the system, it is not surprising that those charged with translating Marxian theory into practice saw as crucial the ultimate elimination of an economic system geared to self-interest. But at once it became clear that "From each according to his ability, to each according to his needs," however noble and fair it sounded, posed several problems. It is easy enough to proclaim that in your great society each individual will perform work in accordance with his abilities and be compensated for his work in accordance with his needs. It is not as easy, however, to convince the individual capable of highly productive work, but having few needs, that he really should go out and work his hardest even though he personally will gain little. The Soviet Union found motivation to be a major problem in the successful operation of a command economy.

Today we are going to read an excerpt from Robert Campbell's SOVIET ECONOMIC POWER in which Mr. Campbell discusses how the Soviet Union has tried to handle problems of motivation. As you read, jot down evidence that will help you answer the following questions:

1. **How does the Soviet system of distribution reflect Marxian theory? Where does it depart from Marxian theory?**
2. **In what ways are the problems of motivation of workers in the Soviet Union similar to those in the U.S.? In what ways do they differ?**

* * * * * * *

*** From Robert Campbell, SOVIET ECONOMIC POWER, (Boston: Houghton Mifflin, 1960).**

A discussion of how the Soviet economy handles the problem of motivation at the level of the managerial class and at the level of the mass of workers via material rewards as well as other incentives.

Glossary:

1. **capitalism - economic system in which means of production are privately owned**
2. **socialism - economic system in which major means of production are publicly owned. There are many different degrees and types of socialism**
3. **communism - economic system in which the means of production are owned by the public at large; distinguished from socialism through the belief that ultimately under communism the state will wither away and a people's republic will be established**
4. **proletariat - workers who own no capital goods, but depend solely upon wages**
5. **manager-bureaucrat - Soviet equivalent of entrepreneur**
6. **base salary - salary for completing standard quantity of work**
7. **bonus - extra pay for more than standard quantity of work**
8. **incentives - positive measures for encouraging workers to greater productivity**
9. **elite - group given special privileges or consideration**
10. **piece-rate system - paying workers on basis of number of unites of work produced**

READING LI

DISTRIBUTION IN THE COMMAND ECONOMY: CHANGING PATTERNS

In the last reading, Robert Campbell discussed how the U.S.S.R. uses both the "carrot" and the "stick" to motivate men to work on behalf of the national economy. The Soviet economy, like the other major industrial economies of the world today, is in flux. What were assumed to be good enough answers to yesterday's problems are apparently not good enough today. The dramatic surface evidence of change in Russia is of course the turnover in political leadership: the sudden transfers of power from Stalin to the triumvirate led by Malenkov, then to Khrushchev, and most recently to Kosygin and Brezhnev. But beneath the surface there are some critical economic changes as this reading and the next one show.

Today's reading is a series of short items describing some of the last decade's developments in Russia's system of distributing its national product. As you read each paragraph, consider the following:

1. **Does this development move the U.S.S.R. closer to or further away from the type of market society with which we are most familiar?**
2. **What does the development suggest about current problems of distributing the national income in the U.S.S.R.?**

*** From Stanislaw Wellisz, THE ECONOMIES OF THE SOVIET BLOC, (New York: McGraw-Hill, 1964) 17, 74-75, 66-67; Walter Galenson, "The Soviet Wage Reform," in INDUSTRIAL RELATIONS RESEARCH ASSOCIATION, PROCEEDINGS OF 13th ANNUAL MEETING; Nicolas Spulber, THE SOVIET ECONOMY (New York: W. W. Norton, 1962) 39-42.**

Several short paragraphs describing some of the recent developments in the Soviet system of distribution such as wage payments, wage goals, partial retreat from piece-rates, changes in the wage structure for sample industries, narrowing wage differentials and geographical differentials.

READING LII

COMMAND ECONOMY IN FLUX: A SUMMING UP

Today's reading is a final look at the Soviet economy as it exists in the mid-1960s. The reading is a feature article from TIME magazine, emphasizing the new role that Professor Evsei Liberman and market-like economic ideas are playing in Russia. It ends appropriately with some doubts as to what these new developments mean. It is difficult enough to see where our own economy is going in the years ahead; it is more difficult to get a feeling for movement in the Soviet Union where the political processes and the economic currents continue to be so mysterious to us.

As you read this article, consider the following questions:

1. **How well-documented is the TIME story? Where is the article most convincing and where do you have the gravest doubts about the reliability of this report?**
2. **What difference do these economic changes in Russia make so far as the U.S.A. is concerned?**

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BORROWING FROM THE CAPITALISTS*

* **From TIME MAGAZINE, February 12, 1965, 23-29 passim.**

TIME's report of the Soviet's venture into the market economy. The influence of the trained economist on the Soviet economy.

UNIT XII

MACROECONOMICS

STATING THE ISSUE

The study of economics is sometimes divided into the study of microeconomics and the study of macroeconomics. Microeconomics is the study of how an economy chooses to allocate its scarce resources, or, in other words, the study of the process by which an economy answers the basic questions: What is produced? How is it produced? For whom is it produced? Thus far, we have been studying microeconomics.

Macroeconomics is the study of aggregates of firms, households, prices, wages and incomes and the impact these aggregates have on an economy. It is the study of how an economy answers the basic question, "How much will be produced?" The next unit introduces the study of macroeconomics.

READING LIII

MEASURING AN ECONOMY'S PERFORMANCE

Since the beginning of the semester, we have seen how various types of economies answer the three basic economic questions:

What? How? For whom?

In a traditional economy what is produced depends upon what always was produced. How and for whom it is produced is also determined by how and for whom it always was produced. In a command economy the questions are answered in terms of the national goals of the society as interpreted by the planners. In a market economy, what, how, and for whom are determined essentially by the market.

Until now, we have been concerned with how and why societies make the economic choices they do. We are now going to turn our attention to another phase of economics, that phase concerned with measuring the success of economic decisions. In studying the Kwakiutl traditional economy we came to realize that here success could be measured only in terms of the goals of the unchanging Kwakiutls and the traditions by which they lived. Complex industrial economies, however, cannot afford the luxury of standing still. For them, progress is itself a moving force: it is both a means towards other goals and an end in itself. It becomes important, therefore, for such economies to measure their own performance and to evaluate the strengths and weaknesses of economic decisions.

Various methods of national income accounting have been developed in recent years in response to the need for measuring sticks to apply to economic performance. Through national income accounting economies can now measure approximately how much is being produced, how much income is being received, how much is being spent, how much saved, how much invested, and so on.

One of the favorite measuring sticks of an economy's performance is called "Gross National Product" (GNP).

* * * * * * *

* From John R. Coleman, "Money Talks," (New York: Columbia Broadcasting System, Inc., 1962).

Transcript of Dr. Coleman's description of gross national product as presented in a series of five broadcasts over CBS NEWS television in August of 1962.

Gross National Product has become a favored tool of all who care about and talk about economics, used both to measure an economy's past performance and to predict future performance. In interpreting GNP, a few words of caution are in order.

1. The process of figuring an economy's GNP is not precise. There is much room for interpretation. For example, the man who owns his own home obviously does not pay rent. However, the estimators of GNP figure that since he would have to pay rent if he did not own his own home he is essentially "consuming" the value of a certain amount of house-room; that is, his house renders a service (shelter) just the same as if it were rented. So they estimate what his rent would be if he did not own his own home and that figure is included in GNP. How decisions such as these are made, and there are many, could obviously make a great deal of difference in the final GNP figures arrived at by an economy.

2. For comparison purposes, if GNP statistics are always arrived at by the same procedures, it doesn't matter much whether or not the methods of estimating are exact. They still indicate change.

   Care should be taken, however, not to compare figures arrived at by different methods of estimating. For this reason, GNP statistics comparing growth in different societies should be viewed with caution.

3. The value of money changes from one year to the next. Consequently, a ten-dollar item in one year's GNP may not be worth as much as a ten-dollar item in another year if the dollars in that former year are simply inflated. For this reason GNP figures for different years reported in current dollars are not really comparable. They must be adjusted for price differences to see whether or not real progress has been made.

4. To determine real growth within an economy, gross national product must be seen in relation to population. If gross national product increases, but population increases at an even greater rate, the share of GNP each person would receive if it were divided equally (per capita GNP) would actually decline. To grow, an economy must be capable of increasing its GNP at a faster rate than its population is increasing.

5. GNP statistics neglect many items that enrich a society's economy. For example, the services a mother donates to her family are arbitrarily not considered as part of a nation's gross national product while the same services performed by a housekeeper would be included. The philosophical contribution to a nation's conscience of a single great mind might only be included to the extent of the sales value of the books produced by that mind, a small portion of the true value to that society's development and growth. GNP tells, in general, how much that is quantifiable was produced, but tells little of its quality. If an economy produced little else but guns and produced more of them every year, its GNP would indicate growth, but whether this could truly be considered development might be questionable.

These are but a few of the cautions we might consider. Keeping these warnings in mind, let's examine some GNP figures to see what conclusions can safely be drawn from them.

TABLE I
UNITED STATES GROSS NATIONAL PRODUCT*
(In Billions of Dollars)

Year	Value of Goods at Time of Production
1929	$104.4
1939	91.1
1949	258.1
1959	482.7
1964	622.3

1. What do these figures indicate?

TABLE II
UNITED STATES GROSS NATIONAL PRODUCT
(In Billions of Dollars)

Year	Value in 1964 Prices
1929	$217.8
1939	227.3
1949	351.8
1959	518.1
1964	622.3

1. What conclusions can be drawn on the basis of the figures in Table II that could not be drawn on the basis of the figures in Table I?
2. What conclusions can be drawn by combining the figures in Table I and Table II? How, for example, can the GNP be higher in 1939 than in 1929 in Table II, while Table I showed a fall in GNP during the '30s?

Table III
POPULATION OF THE UNITED STATES*

Year	Total Population
1929	121,770,000
1939	130,880,000
1949	149,188,000
1959	177,080,000
1964	192,072,000

* Source: Economic Report of the President, January 1965

1. By adding the information given in Table III to the information given in Tables I and II, what statements concerning the growth of the American economy can you now make, that you could not previously make?
2. Using constant 1962 prices, figure the per cent by which GNP increased between the years 1929 and 1939.
3. What was the per capita GNP in 1929?
4. What was the per capita GNP in 1939?
5. What was the per cent of change in per capita GNP between the years 1929 and 1939? How does this compare with the per cent change in GNP between 1929 and 1939?
6. Look on the financial page of your daily newspaper. Can you find any items pertaining to GNP? If you can, bring them to class tomorrow.

Glossary:

1. national income accounting - system of figuring accounts for total economy
2. gross national product (GNP) - the market value of all goods and services produced within a country during a specific period of time (usually one year)
3. per capita GNP - share of total GNP each person would receive if an economy's total GNP were divided equally among the total population.

READING LIV

COMPOSITION OF THE GROSS NATIONAL PRODUCT

We know from yesterday's reading that in 1962 the United States gross national product was $553.6 billion, or, in other words, in 1962, $553.6 billion worth of goods or services were produced. What kinds of goods and services? National income accountants would give their first answer to this question in the following manner. They would say GNP = C + I + G. This would be their way of saying that Gross National Product is essentially the sum of all goods produced for personal consumption (C), plus all goods produced for investment purposes (that is goods such as buildings, machines, computers to be used eventually for the purpose of producing other goods) (I), plus all new goods produced for the Federal, State or local governments for the use of society as a group (G). To understand both growth and fluctuation in the economy, it is desirable to watch these three separate (but interrelated) components of the GNP. The components don't all change at the same rate. Let's first look at a table showing to what extent C, I, and G currently share in Gross National Product. Then let's analyze the impact each of these sectors has on an economy's total spending pattern.

TABLE I
U.S. GROSS NATIONAL PRODUCT OR EXPENDITURE, 1964
(In billions of dollars)

Kinds of Economic Activity	Amount of Expenditure	Explanation of Type of Spending and Examples
Personal Consumption (C)	$399.2	Spending by consumers on goods and services: For example, automobiles, refrigerators, food, maid service, travel, etc.
Investment (I)	87.7	Spending by businessmen and farmers on capital goods such as factories, tractors, buildings, goods stored for future sale (inventories), etc.
Government (G)	128.7	Expenditures for use of society as a whole rather than individual use. Post offices, highways, schools, defense, etc.

Source: Economic Report of the President, Jan. 1965, p. 189.

What difference does it make that Gross National Product represents the sum of spending on the part of individual consumers, business investors, and government? The important point is that different forces are at play in determining the level of spending of each of these sectors, and yet the three sectors must mesh together effectively if the economy is to achieve its goals. Let's examine some of these forces.

Consumer spending, as you can see from Table I, accounts for almost 2/3 of all spending in the United States. This is not surprising considering that our economic system operates in response to consumer demand. (What fraction of the USSR's GNP would you expect to be in consumer spending?) Consumer spending is, as you might expect, more closely connected to size of income than to any other single factor. Studies have shown that consumers today tend to spend about 92% of each additional dollar they receive, or, conversely, to cut back on this consumption about 92¢ for each $1.00 drop in their incomes.

Consumers spend their money for goods and services which they want and can pay for. These purchases, however, have a multiple effect on the economy. They have the immediate effect of increasing someone's income directly, and at the same time they set in motion a further chain of spending by those who get that money. Moreover, the money spent by consumers for consumption goods and received by businessmen in return for goods or services produced encourages those businessmen to make investment expenditures necessary to maintain or increase their production. The investment expenditures, in turn, create jobs for workers needed to produce the capital equipment; these workers are paid wages that they, in turn, spend for consumption goods, thus creating income for businessmen who are encouraged to make additional investments that create more jobs for more workers who buy more consumer goods; and so on. (Try to see the whole process in reverse: what would you expect to happen if consumers started spending less of their incomes on consumption?) We see that consumer spending and investment spending may be closely intertwined.

Investment spending, while not as great today as consumer and government spending, is critical both because it tells us something about the nation's creation of capital and hence its ability to produce more goods in the future and because it contains a key to cycles of prosperity and depression that have plagued us over our history. Spending on business investments tends to fluctuate widely depending upon how businessmen see the future. While families tend to make spending decisions that are almost as stable as their incomes, businessmen are more likely to alter their spending decisions as their view of the prospective markets change. They don't have to put up a new plant now if they don't like the business outlook; the spending decision is more easily postponed than is the family decision to buy food and clothing. Businessmen tend to hold off on investing if they think the economy is in for a bad time even if they have ample funds for investment. They are just as likely to borrow funds with which to invest if they think the future looks good. The level of investment spending will have a powerful impact on an economy's growth. Yet, in a free enterprise economy these decisions are made privately on the part of individual investors. With such decentralized and free decisions, it isn't surprising that they result in fluctuations in spending.

In the United States there are few subjects more controversial than the role played by the federal government in making economic decisions. Government spending is made for both consumption and investment purposes. One of the most critical issues is whether all of it represents a net addition to the economy or whether it is simply a substitute for private spending. If, for example, the government builds an electric power station, this is an increase to GNP. But if that government station is one that private industry planned to build anyway, it isn't clear that total GNP has advanced. Probably most government expenditures (highways and defense are clear examples) do represent net additions to GNP, but there always remain some controversial areas.

In recent years we have come to think about government spending not only as a way to get certain jobs done (e.g. to get the mails delivered) but also as a way to stabilize the economy. In our next reading we'll see how some economists believe that deliberate cuts or increases in government spending should be timed so as to mesh with private spending decisions in a way that avoids booms and busts.

For tomorrow, glance through your newspaper. Check all items involving government decisions that might have an impact on GNP (i.e., on C, I, or G). Analyze the impact each of these decisions might have on the American economy. Bring these clippings to class tomorrow.

Glossary:

1. **consumer spending - spending for goods or services used directly to satisfy either short or long term wants**
2. **investment spending - spending for goods to be used in producing other goods and for goods to be stored for future use (inventories)**
3. **government spending - spending by the government to satisfy collective rather than individual wants**

* * * * * * * * * *

READING LV

THE CASE FOR GROWTH

We have spent the last two days gaining an understanding of gross national product and the components of spending that account for the distribution of GNP. We have allocated our own scarce resource of time to these subjects on the basis of a simple statement to the effect that a complex industrial economy cannot afford to stand still but must grow. Today we are going to examine more fully this subject of economic growth.

In almost every nation in the world today, government officials are keenly interested in economic growth. This interest extends from African states with virtually no industry to the highly industrialized nations of Europe and North America. Only economic growth can lift the underdeveloped nations into the modern world. Only economic growth can raise the living standards and solve the unemployment problem in industrialized economies. Aside from traditional economies satisfied to stay within the confines of their traditions, growth is of universal concern.

A growing nation must meet two conditions:

1. **The total output of goods and services must be increasing;**
2. **This increase must be taking place at a rate faster than the rate at which the population is increasing.**

Today's reading examines some of the issues involved in the problem of economic growth. As you read, keep the following questions in mind:

1. **How can economic growth contribute to the solution of some of our most pressing social problems such as unemployment and civil rights?**

2. **Will economic growth be a sufficient condition to solve some of these problems?**

WHY DOES GROWTH MATTER? *

Our first and most immediately pressing economic problem is the employment structure in the United States. We now face a situation where we have two contrasting pictures at the same point of time. One is a picture of considerable unemployment concentrated in particular groups, and alongside that picture of unemployment is one of labor shortages elsewhere in this society -- of industry crying out for men with particular skills and no men available with those skills.

The unemployment picture is the more explosive of the two. The best way to dramatize this is to use some recent data from the Bureau of Labor Statistics showing what has happened to the labor force in the decade of the 1950's as against what we project for the decade of the 1960's. These data refer only to the potential new workers under twenty-four years of age. In the decade of the 1950's, we added to the labor force in the age group under twenty-four years of age four hundred thousand people. Those are the children who were born during the years of the depression and of World War II, when the birth rate was low. The comparable estimate for the 1960's is that we will have a net addition of six million would-be workers in that same age bracket! Those are the people who were born in the years immediately after the Second World War. We must then provide several times as many jobs in that age bracket as we provided in the 1950's. ...

But let us look at an individual and important corporation. Standard Oil Company from 1953 to 1963 increased its production of oil and oil products 60 per cent. It did this with 19,000 fewer people, as a result of new technology. Standard Oil is not the whole of the American economy, but this story, in less dramatic form perhaps, is being told elsewhere too. And note that 19,000 fewer employees mean 19,000 fewer consumers coming into the market with pay checks from this one source.

***From John R. Coleman, "The American Economy," an address at a Conference on Contemporary American Thought held at Wisconsin State College, Whitewater, on June 20, 1963, with the permission of the author.**

It is in that context that a number of Americans are pushed into what are essentially defeatist solutions. They are saying that, if the labor population is swelling so fast and if we are not generating enough new jobs because of automation, then we have to ration the available jobs. How? One way to ration jobs is to make men cut back to the thirty-five, thirty, or the twenty-five hour week. Another solution along the same line is to cut the compulsory retirement age from sixty-five to fifty-five, and thus force older people out of the labor market so that younger people can come in. Another solution which some of you have heard, particularly those of you who are women, is that we should get the women out of the labor market. At trade union meetings one still hears frequent mutterings that "If we could just get women to go back into the homes, things would be fine."

Unemployment, particularly among the young, makes a big difference to all of us. No matter where we live or what we do, this is going to be a part of our world in the future. We live for better or worse in a caucus race world. Remember the race in that most remarkable of books, ALICE IN WONDERLAND? The animals ran around fiercely. Then somebody announced the race was over and they all stopped. Alice, because she is a product of Western civilization with the same orderly mind we all have, insisted on asking who had won. The animals had never been asked that one before and they were stumped for a minute. But then they recovered their poise: everybody had won and all had to have prizes. That is true of the society in which we live. Even if everyone does not expect the same prizes in an incentive society, every one must have a fair chance to win at least a decent minimum.

Thus it must make a big difference to all of us if a large number of our young people come into the labor market in the next five or ten years and cannot find work. Ask ourselves just this one question, "What are idle twenty-year olds going to do with their time?" Just to pose the question is to suggest an urgency about the problem of growth in the American economy.

Note the growth problem as I have defined it. It has little or nothing to do with the Soviet Union. ...It does not say that we have to race to catch up with the Russians. Instead it says that our problem is to grow at a fast enough rate to provide jobs for these new people coming into the labor market with as high expectations as any generation that went before them ...

The failure to grow rapidly enough and to solve the unemployment problem is related to many of the most serious controversies in American society. Take the case of civil rights, for example. Here the problem of not enough jobs to go around lurks in the background. The unemployment rate among Negroes is about double the rate of whites. Some of the difficulty in the civil rights debate in the North comes because some people fear that there are not enough jobs for both whites and Negroes. If whites must lose job opportunities in order for Negroes to gain them, there will be bitter resistance to ending discrimination. If we could grow fast enough to create job opportunities for every American, however, we might get closer to agreements on basic civil rights issues.

Our failure to grow rapidly enough and the consequent unemployment and under-employment which follows, also affects our thinking about doing business with other countries. When many Americans are unemployed, they resent the idea of buying goods abroad and giving work to men in foreign countries. Business firms often feel the same way as individuals do about this matter. American steel companies, for example, are operating with a fair amount of unused capacity. They are unhappy when they find that one-time customers now often buy steel made in Belgium or Japan. When men and machines need work at home, Americans are likely to be more selfish about making jobs for workers in other countries. For this reason people put pressure on Congress to raise tariff laws which make a foreign seller pay a tax on goods imported into the United States. In doing so, they are thinking more about the jobs lost here through imports than about the larger number of jobs created through our exports.

The United States is the world's most efficient producer of some goods. We are anxious to sell these goods in the world market. But when we raise our tariff walls, other countries raise theirs in turn. They try to keep our goods out by raising the cost of these goods to the consumer. To the extent that these tactics succeed, our own sales, our own output and our own employment are lower than they might otherwise be. Moreover, we are likely to pay higher prices for American made goods in industries where we are not so efficient as foreign producers are.

If we had full employment at home perhaps we would be more sensible about buying foreign made goods. This policy would help the economies of other countries to grow. It would also help to assure us better opportunities to sell our own goods abroad. In this way everyone would benefit.

Our growth - measured by our own standards and against our own problems - has been lagging. When we have unemployed people, they are not producing goods and services. Neither are they consuming enough to be living at a standard which most of us take for granted. If our economy can grow fast enough to keep up with the increasing number of Americans who want to work, all of us will benefit. If we bake a bigger pie of goods and services per person, every American can gain a larger slice.

* * * * * * *

Do previous readings in this unit suggest to you ways by which we may be able to increase the pace of economic growth in the country? Make a note of at least two ways you can think of to increase economic growth in the United States.

Glossary:

1. **tariff - tax on foreign goods**
2. **imports - goods or services bought from foreign countries**
3. **exports - goods or services sold to foreign countries**

READING LVI

THE SEARCH FOR STABILITY

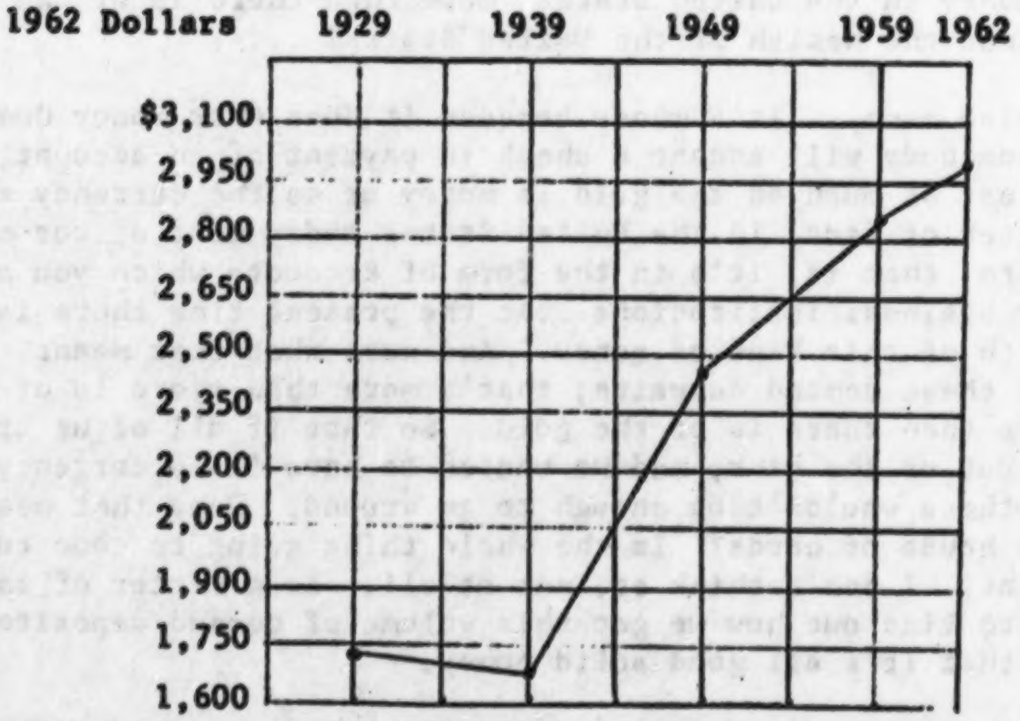
The growing awareness of the importance of economic growth to a society's total welfare has called attention to the need to study an economy both for the purpose of evaluating past performance and attempting to influence future performance. In Reading 53, Table II informed us that United States Gross National Product figured in terms of constant 1962 dollars grew from $212.0 billion in 1929 to $553.6 billion in 1962. At the same time population expanded from 121,770,000 people living in the United States in 1929 to 186,656,000 in 1962. Using the figures available in Tables II and III of Reading 53, we find that per capita GNP fluctuated in the following manner:

Table I, United States Per Capita GNP (In 1962 Dollars)

Year	Per Capita GNP
1929	$1,743
1939	$1,685
1949	$2,280
1959	$2,830
1962	$2,960

If we were to chart the figures given in Table I, our chart would look like this:

Chart I, United States Per Capita GNP



(What are the limitations in the usefulness of this chart which is based on ten-year jumps in the data used?)

A major concern of all economies is not only how can we keep our GNP growing at a fast enough rate to absorb our growing population without having to lower our standard of living, but how do we do this without major fluctuations? How do we keep our economy growing at an even pace that is rapid enough to provide employment for all who seek it? How do we avoid a downturn such as occurred between 1929 and 1939? These, needless to say, are not easy problems nor ones that even professional economists have solved. There are, however, certain major forces affecting economic growth and fluctuations that are recognizable and these are the forces we want to identify.

In yesterday's reading you were introduced to the components of GNP and we looked just casually at how growth could be affected by changing the way in which GNP is divided among consumers, investors and government. One more economic tool must be introduced before the search for stable economic growth can be discussed. That tool is money. It hardly seems necessary to explain money. Surely we all know what money is. In the following transcript of a CBS television broadcast, Dr. John R. Coleman explains money and its relationship to an economy's search for stable growth.

"...The United States government has at the present time about $16 billion worth of gold...bricks. Where are they? They're all safely tucked away in vaults. ...

"...(A)t one time men used to think that gold was the wealth of a nation. ...

"(Coins and paper bills are)...also money. This is money you and I are more familiar with. ...At the present time (there is) $33 billion worth of this (type of) money in the United States, more than there is of the gold. Does this represent the wealth of the United States? ...

"...A check is also money. It's money because it does what money does. That is, so long as somebody will accept a check in payment of an account, that makes it money just as much as the gold is money or as the currency might be money. As a matter of fact, in the United States today most of our money is in (check) form; that is, it's in the form of accounts which you and I hold in banks or business institutions...At the present time there is about $112 billion worth of this kind of money. And note what that means. $112 billion worth of these demand deposits; that's more than there is of the paper money, more than there is of the gold. So that if all of us tried to get our 'money' out of the bank, and we wanted to have it in currency or good hard gold, there wouldn't be enough to go around. Does that mean the whole thing is a house of cards? Is the whole thing going to come tumbling down at some point? I don't think so, not at all. As a matter of fact, if we'll take time to find out how we got this volume of demand deposits, I think we'll see that it's all good solid money.

"Let's do that. Let's imagine, for example, that at some point an individual who's had a million dollars in currency lying around the house decides that he'll put it in the bank. ...What will the bank do with it? Well, the bank, if it's smart, will say, 'We don't need to hold this million dollars in an idle form. We could be putting it out to work. We could be making good solid loans and earning interest for our stockholders.' And so, what the bank would do is to hold, let's say, one-fifth in reserve in this 'idle form,' and the rest they would lend out in an $800,000 loan. How? Not by giving a man paper money, because he probably would want to have it in the form of a checking account. He'd want a credit entered against his account so that he could write checks against it over in his own bank. Now this second bank would get this $800,000 in the form of a demand deposit, and just like the first one they'd say, 'Why should we hold this in an idle form? Let's put it to work.' And so they would take, say, $160,000 and hold this in an idle form, that's one-fifth, but then they would lend out the other four-fifths, $640,000 into a good solid investment opportunity.

"And so it goes on. The bank that gets the $640,000 as a new demand deposit from the second borrower will do the same kind of thing. And eventually, under the assumptions I'm talking about here, this original $1 million in currency could finally support $5 million in demand deposits, a five-fold expansion throughout the community.

"Now in practice we don't let this whole thing happen in a random kind of fashion in the United States. We don't wait for individuals to come in with a million dollars and hence lead to an expansion of the amount of money in the United States, or for another individual to withdraw a large amount and get a contraction. In the United States we have a central bank which we call the 'Federal Reserve System.' It's really a bank for bankers and for the government. And what the Federal Reserve System does in part is to look around and decide whether in their judgment the community seems to need more money or less money at a particular time. Do we need an expansion of the amount of money which is in the banks as bank credits, or do we need less of it? If they think we want more of it what they will do is to get a deposit into the banks. How? By buying securities from a bank and depositing the check for that into the individual bank, and the bank then will be able to make loans based on that. And under the conditions we've talked about we could get the same multiple expansion.

"Now, this is essentially the way the demand deposits in the United States did come into being. This is where we got most of our money supply. Now we look back and say, 'Is it all a house of cards?' Obviously it's not now, because all of this money has been created in terms of productive activity that's going on. This last part, this demand deposit money in the bank, was created in response to needs for funds among individuals and in industry, and it was created for good solid economic activity.

"And let's look at it once more. Is this the wealth of the United States? The answer is very clearly no, this is not our wealth. What is our wealth? Let's look at it.

"Our wealth is our productive capacity. It's all of the resources that we can put to work creating goods and services for our people. It's our natural resources, our forest lands and our rich agricultural lands. It's our transportation system. It's our factories, and all of the equipment which is associated with them. It's our communications system which makes commerce possible. Above all--it's the skills that exist in our labor force. Take this away and all the rest of these things become rather meaningless.

"And interestingly enough, a stable government is also part of the wealth of the United States. The fact that we have a government which is not likely to be overthrown at any point of time makes it possible for us to take all of the other resources and use them in a profitable way.

"(Yesterday) we were asking the question, 'What do we do with all of these resources?' And we said that the best way to measure our use of resources at any time is to talk in terms of Gross National Product. ...

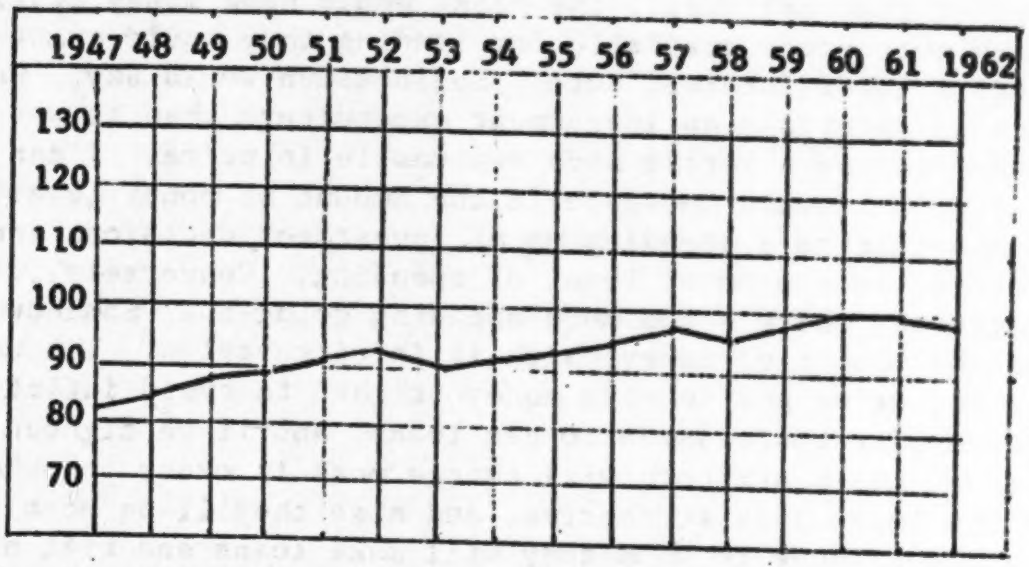
"But, you know, Gross National Product is such a big thing...one really (has) to break it down and look at some individual parts if he wants to understand (the) ...problem of fluctuations, ... We can break down our Gross National Product into three broad categories of goods and services that are produced. By all odds, the biggest bulk of it is 'consumption goods.' ...

"The second kind of goods and services we can break out of the Gross National Product are the 'investment goods.' ...

"And the third big block of goods and services produced are those which are produced by and for the government. ...

"Well, these then are just three broad categories of goods that exist within the American Gross National Product. But remember, our question is, what about stability? How can we get these three parts of the Gross National Product working together in a way to give us an even growth year after year? And if we start to look inside the consumption part of Gross National Product and the investment part we get an important clue about how we might move toward stability. Let's look for that clue. Let's look, first of all, at consumption. And I'm going to take a specific example of a consumption good, bakery products, and trace our production of this from the year 1947 up to the present time and it's not a very dramatic line. The line is virtually steady, growing straight, no fluctuations to amount to anything. What does that mean?

BAKERY PRODUCTS (Ratio Scale: 1957 = 100)



Source: Index of Industrial Production, Board of Governors of the Federal Reserve System

"All it means is that year after year you and I tend to consume about the same amount of bakery products. Come good year, come bad year, we buy about the same amount. The line goes up, but not spectacularly so. It's a stable part of the economy, and if all of the economy looked like this we wouldn't be worried about economic stability at all.

"Now, let's look inside the investment part, though. Here my example is the production of metal-working machinery in the United States, over the same years. And now I've lost that stability. Now I've got marked fluctuations. Why might that be? Well, put yourself, not in the position of a consumer of bread, but in the position of an owner of a bakery, a man deciding whether he's going to invest in equipment. Is he going to put some new ovens in, for example? Well, in this case his decision is going to depend, not on what's happening right at the present time, but in large part on his expectations of what's going to happen next. And if he thinks we're in for bad times, he's going to cut down on his investment. He'll postpone building that new oven. Your bread purchase is not postponable. But his decision is postponable, and he will postpone it if he's worried about the future. On the other hand, if he sees big demand coming along, sees a growth in the demand for his products, he's going to increase the amount of spending he does in this area.

"So, we say that we don't find much fluctuation back here in the consumption part, and we can't really expect to have a great deal more stability by working on that. Our major hope must be somehow to find a stabilizing force that will work in the area of these investment goods....

"Suppose, ...when business is rather bad generally, the Federal Reserve System were to try to increase the amount of money that's in the banks. What would the effect of that be? Well, the banks would have money available for lending, and with more money available for lending they would probably be willing to charge a lower interest rate. Businessmen would say, 'Well, now is a better time to undertake an investment expenditure than it was a few months ago. Money is now a little more reasonable in price. I can undertake these expenditures.' ...(A)n increase in the amount of money (available), it is hoped, would lead to a speeding up of investment decisions and an increase, therefore, in the total level of spending. Conversely...the Federal Reserve might say there's too much spending going on. Somehow we've got to decrease the amount of money which is in circulation. The usual phrase for this is, we've got to make money 'tight' to avoid inflation. We must make it harder for businessmen to get loans, and if we tighten up on the amount of money the banks both will charge more in order to make a loan, and hence make the loans less attractive, and also they'll be more restrictive, more fussy about those to whom they will make loans and will not make loans.

"So by changing the amount of money it is hoped that you can introduce a little bit more stability. Most economists today believe, however, that this by itself is not enough. Changing the money supply is important as a way to get stability, but it's not the whole story. And most economists today are convinced that government must also use its own powers in the area of spending and taxes to try to bring about stability. Let's look at the mechanics first before we say whether it works or doesn't work.

"...What might government do? Well, one thing it could do is to increase its volume of spending--to buy more goods and services itself so that there'd be more spending going on. By more spending we mean, building those post offices that aren't really needed right at the minute perhaps, or have been needed for a lot of years but haven't been undertaken. In any event, the idea is to get a public works program going, hoping thereby to get this multiplied spending elsewhere. The converse of it that when you're up at a peak period, government would want to decrease its spending, to cut back on its programs, postpone things that don't need to be done at the present time as a way of dampening the total amount of spending that's going on.

"So much for the spending side. But there's another side, another side we all know very well and that's the taxing side. How might that work? Well, if again you've got this one objective in mind, of trying to stabilize the economy, the right tax policy would seem to be the following: If you're ...trying to get more business, cut taxes. Cut taxes so that individuals will have more to spend and corporations will find it more attractive to undertake investment. Lower tax rates mean that they'll have more left over afterwards, it'll be more attractive for them to invest; so cut the tax rates at this point. And the converse of that one is obvious. When you get into a peak period, increase the taxes. Increase taxes so that you take money out of people's hands and out of corporations' hands, make it less attractive for them to create investment goods and hence cut down on the total amount of spending that's done. In this way, we try to head off inflation which might otherwise develop.

"Well, this is the basic idea of how public policies might be used to help stabilize the economy, through the money side which involves the Federal Reserve System and the banks in the United States, and through government spending and taxing...

"It all sounds very nice, sounds very simple, but the big question is: Where are you at any time? ...At any particular time in the United States perhaps our major problem is to know where we are. Note what a whale of a lot of difference it makes. If you begin to apply these policies at the wrong time, you may get into serious trouble.

"Where are we (now)? Are we heading upwards? Are we at (a) peak point? Have we already started to move down? This is the problem in trying to implement these particular ideas we've talked about. We do have better information today to measure where the economy is than we had some years ago. But we're a long way from having perfect information and until we get better information our chances of using these weapons wisely to stabilize the economy is sharply lessened. ..."

Glossary:

1. money - a generally accepted medium of exchange

2. bank reserves - money held by banks as a fraction of the amounts deposited with them by customers

3. checking account - bank account permitting depositor to write orders directing bank to pay sums of money up to the amount on deposit in the bank in the name of the depositor

4. credit - ability to secure money, goods or services against the promise to repay at some future date

5. demand deposit - bank deposits that can be withdrawn on demand of the customer

6. Federal Reserve System - a system of central banks controlled by a Board of Governors in Washington. National banks must belong and must deposit with the Federal Reserve Bank a certain percentage of their deposits. The Board of Governors has the power to increase, within limits, the percentage of bank deposits that must be kept in reserve

7. Securities - a collective name for all kinds of written instruments having present or future money value. Securities include mortgages, bonds, stocks, records of sales, etc.

8. stabilizing force - force intended to lessen fluctuations

9, inflation - a general increase in the price level or, what is the same thing, a general fall in the purchasing power of money.

TEACHER'S GUIDE

for

COMPARATIVE ECONOMIC SYSTEMS

A BOOK OF READINGS FOR INDUCTIVE TEACHING

COMPILED BY THE

CURRICULUM DEVELOPMENT CENTER

PROJECT SOCIAL STUDIES

THE CARNEGIE INSTITUTE OF TECHNOLOGY

AND

THE PITTSBURGH PUBLIC SCHOOLS

TEACHER'S MANUAL: COMPARATIVE ECONOMIC SYSTEMS

A Note to the Public Domain Edition

The Teacher's Manual which follows accompanies the materials designed for a course in Comparative Economic Systems developed at Carnegie Tech's Social Studies Curriculum Development Center under a grant from the United States Office of Education. The Manual contains a statement of the objectives and philosophy of the entire series of courses for able students in grades nine through twelve, daily lesson plans, scripts of tapes, masters for transparencies, essay and objective examinations, and copies of class handouts. All of this material is in the public domain and may be duplicated and used by anyone for any purpose although it may not be copyrighted.

Like the student materials which it accompanies, the teaching strategies and learning aids in the Manual have a number of shortcomings. We were trying to give teachers maximum aid by indicating in detail one way to use each reading in the course. Like the student materials, the lesson plans were written in 1963 and revised in 1964, but since the revisions of our materials were so extensive, about two-thirds of the lesson plans were really new for the second version of the course. Moreover, we did not work out a satisfactory way to write lesson plans until the summer of 1964 when work on this volume was well in process. Although the course taught well with the materials and teaching strategies we are releasing, we found the following major shortcomings in our work.

As the "Introduction to the Teachers' Manuals" explains, the course has four sets of objectives: attitudes and values, skills and abilities, the ability to use the mode of inquiry of history and the social sciences, and knowledge of selected facts and generalizations. We failed to develop a way of stating affective objectives (attitudes and values) in daily lesson plans and did not think about stating them for units until our experiment had progressed further. Hence, although the development of attitudes and values is implicit in much of the teaching strategy, it does not come clear in the Manual.

Moreover, we failed to distinguish in stating our daily objectives between general skills and abilities common to all intellectual endeavor and their specific application in the social science disciplines. The need to make this distinction emerged slowly as our project developed and has only become thoroughly clear in recent months.

The two groups of objectives we did state specifically also exhibit shortcomings. First, we were unable to specify all the facts and generalizations which we expected our students to learn, so we were forced to be content to itemize what seemed to us the most important generalizations. Second, we stated appropriate skills and abilities by referring to condensed version of the classification scheme in Bloom's TAXONOMY OF EDUCATIONAL OBJECTIVES: HANDBOOK I: THE COGNITIVE DOMAIN without translating these statements into the materials of the course. Finally, we failed to specify the behaviors which students who had mastered these skills and abilities would exhibit. We are trying to correct these deficiencies in the courses for the sophomore, junior and senior years of the sequence.

The form of the lesson plan as well as the style of questions asked leaves much to be desired. Many of the questions elicit yes or no answers or encourage the student to recall facts or generalizations from the reading. Not enough of them encourage reflective thinking or demand synthesis of evidence. Moreover, presenting an answer to a question as we have done encourages teachers to look for a correct response rather than open lines of investigation. We have found the form of lesson plan and the style of questions developed for the tenth grade courses in our series much more satisfactory than the ones which follow in this manual.

We also failed to employ a sufficient range of strategies in our early work. Most class periods are devoted to Socratic discussion, a style of teaching which we endorse, but not to the virtual exclusion of other styles. In later courses, we make more extensive use of small groups, employ non-directed discussion techniques more frequently, and use expository techniques more effectively.

The weekly independent analysis assignments were not too successful. Students enjoyed and profited from small group decision making, but, in general, the problems suggested were too remote from student background to be meaningful. It is recommended that the method be retained, but problems revised.

The examinations also seem poor by standards met by later courses in the sequence. Too many of the objective tests demand only recall of facts and generalizations. Very few test the higher order cognitive abilities. Almost none of them get at the affective domain. Finally, some of the items are too easy and others either ambiguous or too difficult.

Despite all these deficiencies, teachers who have used the Manual found it very helpful. Many of the lesson plans need only to be put into a slightly different form in order to meet our present standards. Virtually all of them contain ideas which have stimulated teachers to try new approaches as they developed their individual teaching strategies. The staff of the Center will appreciate comments from colleagues who use this Manual. We hope that teachers, authors, and publishers will all benefit from examining it.

A HIGH SCHOOL SOCIAL STUDIES PROGRAM FOR ABLE STUDENTS

Carnegie Institute of Technology

INTRODUCTION TO THE TEACHER'S MANUALS

Background

During the past six years, Carnegie Institute of Technology has undertaken a number of ventures for the development of curriculum and teaching strategies for high school students. Almost fifty Carnegie Tech faculty members have been involved. They have worked in six subject areas: the social studies, English, the natural sciences, mathematics, modern foreign languages, and the fine arts. Each project has been a cooperative effort, sponsored jointly by Carnegie Tech and public schools in Pittsburgh and Allegheny County. The organization of the Social Studies Curriculum Development Center at Carnegie Tech typifies these joint ventures.

The Social Studies Curriculum Development Center was founded in May, 1963, by a grant of $250,000 from the Cooperative Research Branch of the Department of Health, Education and Welfare. HEW has since made two supplementary grants. The first ($22,500) brought twelve teacher-scholars from secondary schools and colleges to the Tech campus for six weeks during the summer of 1964 to help develop materials for use in tenth grade courses and to study techniques for curriculum development. The second ($90,000) came in September, 1965, to finance the development of a full audio-visual component to the project courses.

Under the terms of these three grants, the Curriculum Development Center has agreed to develop and test an entirely new curriculum for able students in grades nine through twelve. From its inception, the Project has been a joint endeavor of Carnegie Tech and the Pittsburgh Public Schools. Two co-directors, one from Tech and one from the Schools, have equal authority for planning and carrying out the project. Teams of writers and teachers from the two institutions develop materials, try them out in the schools, revise them, and give them a second trial. They also develop teaching strategies and instruments to evaluate the success of their work. The Project will be completed in October, 1967.

By able students we mean the top twenty or twenty-five percent of a typical high school graduating class. American schools have long neglected the special needs of this particular group of students. Our materials and teaching strategies have been designed specifically to fill this gap. But preliminary trials of our courses with average students in the Pittsburgh Schools have convinced us that both the materials and teaching strategies are adaptable to this much larger group by lowering the reading level appropriately. Hence, we believe that the ways of phrasing objectives, the types of materials, the range of teaching strategies, and the sorts of evaluating instruments we have employed may be useful as models to all social studies teachers. At the same time, we acknowledge that the particular products of our present endeavor are designed specifically for the top quarter of American students.

Objectives

The staff of the Center has established four groups of objectives for the entire sequence of four courses. Two of these groups of objectives we share with all other teachers in the schools: with instructors in English, science, mathematics, the arts and so forth. The remaining two groups are specific to social studies teachers. Let us first explore the general objectives.

1. The development of cognitive skills essential to critical thinking

Every teacher in all subjects in the schools should strive to develop the cognitive skills of his students. These skills have been carefully analyzed and ranged in their order of difficulty in the well-known TAXONOMY OF EDUCATIONAL OBJECTIVES: THE COGNITIVE DOMAIN, edited by Benjamin Bloom and others. 1/ The major categories include the ability to comprehend, to apply, to analyze, to synthesize, and to evaluate. Bloom's TAXONOMY also contains sample evaluating instruments by which teachers can determine whether or not their students have mastered each skill.

We have developed materials and teaching strategies designed to assist the student to master these skills. We do not, however, claim for the social studies the sole responsibility for teaching them. On the contrary, we believe that every teacher in all subjects has an equal responsibility to teach for these objectives. As for our contribution to these general objectives, we have specified for emphasis in each daily lesson plan one or more of the skills drawn from the Bloom TAXONOMY. We have also developed a number of objective test items as well as some essay questions specifically designed to determine how well students are progressing towards the mastery of cognitive skills.

Although Bloom has arranged cognitive skills in the order of their complexity, we have found it difficult for students to master the easiest before the more complex ones are introduced. We have, however, been able to establish a rough progression from simple to complex over a three-year period. In our ninth grade work we concentrate on teaching the two simplest skills, comprehension and application. In the tenth grade we concentrate on the middle range, analysis and synthesis, and in the eleventh grade we focus our attention on the most difficult of all, evaluation. Our twelfth grade course reviews the entire range of skills and calls upon students to use them in different contexts.

2. The development of affective objectives

The second group of objectives which social studies teachers share with instructors in other disciplines lie in the affective domain. Stating these objectives succinctly and in a way acceptable to all parties in secondary education has long been one of the most troublesome aspects of curriculum development. Part of the difficulty lies in the assumption that only social studies teachers were responsible for what is generally called "citizenship training" or "civic education." In these terms most authorities include the development of a set of attitudes toward individuals and groups, a way of arriving at decisions through a rational decision-making process, a personal value system in accordance with a democratic credo, and a body of information about society and government which can serve as the basis for a rational decision-making process in personal and civic affairs. Only one of these - knowledge of content about government and society - is exclusively the province of social studies teachers. The other three - attitudes, decision-making, and values - should be shared by all teachers in the schools.

Within the affective domain fall the whole cluster of attitudes and values which are such an integral part of the process of developing good citizens. They have been carefully analyzed and arranged in ascending order of complexity in the TAXONOMY OF EDUCATIONAL OBJECTIVES: THE AFFECTIVE DOMAIN, edited by Krathwohl, Bloom and Masia. 2/ Like the TAXONOMY devoted to the cognitive domain, this volume lists affective objectives and gives examples of types of questions designed to determine whether or not they have been reached by work in the classroom.

The lower ranges of the affective objectives, receiving and responding, must be taught primarily by the way in which a class is conducted. Hence, teachers must utilize a variety of teaching techniques and ways of grouping students in order to reach them. The higher order of affective objectives involving the development of a value system and of an integrated personal philosophy of life comes from both the way a class is conducted and from the content which students read and discuss in class.

We have not attempted to select a particular value system or a particular philosophy to teach to our students. In a pluralistic society, each student should have an opportunity to develop a system of values and a personal philosophy suited to his own conception of American life. To contribute to opportunities to develop such values and philosophies, we consistently raise a number of questions designed to induce students to reflect upon their developing value systems. By the end of his senior year, each student who has worked through the material conscientiously should be able to describe his own value system and his personal philosophy in a coherent and disciplined fashion and to consider intelligently the role of values in both public and private decision making. 3/He would not, however, be expected to share the values or the philosophy of the staff of the Curriculum Center which has designed the sequence of courses.

We have attempted to teach the full range of affective objectives contained in the Krathwohl TAXONOMY in the four years of courses designed by the Center. Both the ways in which class is conducted and the content chosen for examination have been determined partly by strategies we have devised to reach these goals. A number of objective and essay examination questions test student attainment of affective objectives. It has not been practical to concentrate first on the mastery of the lower order of objectives to the exclusion of the higher ones.

Instead, both the behavioral attitudes and the development of a coherent personal philosophy receive emphasis year after year.

3. Using the mode of inquiry of history and the social sciences

Unlike attaining skills and affective objectives, which are the responsibility of all teachers in all subjects in the schools, the use of the mode of inquiry of history and the social sciences lies exclusively within the province of the social studies teacher. Other teachers have parallel responsibilities: the scientist to teach scientific method, the English teacher to teach techniques for analyzing literature, the mathematician to teach the deductive processes on which mathematics is founded. Although all scientific disciplines approach knowledge with similar assumptions and techniques, the method of the social sciences has peculiarities which make it distinctive.4/ Students can master it only with repeated practice.

We draw a sharp distinction between knowledge of the method of history and the social sciences and the ability to use that method. Knowledge of the method implies only the ability to repeat from memory the steps in a method of inquiry or to recognize the method when it is described. On the other hand, use of the method of inquiry implies the ability to isolate a problem, to carry on a scholarly investigation, and to write the result with no help whatsoever from teachers or fellow students. In other words, students can use the mode of inquiry of history and the social sciences only when they are able to make a completely independent and free investigation.

We stress the use of the mode of inquiry because it forms an essential part of training for continued work in history and the social sciences and for intelligent participation in American society. In his personal life, his work, and his role as a citizen a student graduated from school or college is required to make up his mind about innumerable issues. Most of his decisions require the use of a disciplined decision-making process such as that which lies at the heart of the method of history and social sciences.

In traditional high school curricula, social science method is taught - if at all - implicitly. Students read articles or books and hear lectures which employ social science methodology, but they are not exposed consciously to materials designed specifically to teach the steps of social science method. Hence, they learn them imperfectly and are frequently unable to use them as tools for independent thinking.

To overcome this handicap we have designed a number of lessons in each of our courses for the specific purpose of teaching one or more aspects of historical or social scientific inquiry. For example, the first six lessons of the tenth grade course in the Shaping of Western Society explore the ways in which historians interpret the past. A number of other lessons in each course have similar objectives. In addition, learning one or more aspects of method forms a subsidiary objective of a large number of lessons whose primary objective may be mastery of content, development of a cognitive skill, or an affective goal. We test mastery of the mode of inquiry of the historian by assigning independent research papers which require students to make investigations without help from their teachers.

As part of the mode of inquiry of history and the social sciences, we help students to learn the structure of these disciplines. 5/ In recent literature the word "structure" has been used with a variety of meanings. Some scholars, for example, suggest that a structure is a collection of generalizations. Two typical generalizations might be: "People migrate when they are hungry," and "Modern revolutions are led by educated people." For these workers the structure of a discipline is the entire set of generalizations which can be derived from the discipline through empirical investigation.

Other researchers identify the structure of a discipline with a collection of its major concepts. By a concept they mean a category, that is, a range of different events or things which are treated similarly. For example, different uprisings can be placed together in a category called revolution. By this meaning the idea of a concept is primarily definitional in character. Learning the structure of the discipline, then, is learning its major concepts.

Rather than a group of generalizations or a group of concepts, we define the structure of history and the social sciences as a battery of analytical questions which can be used to order factual evidence. Defining structure as analytical questions, rather than as generalizations, is not a mere quibble. Generalizations have about them a tone of finality because they are stated in declarative sentences that vote cloture on debate. Analytical questions, however, are the tools of inquiry. Unlike statements, analytical questions suggest the possibility of relationships among facts and generalizations; they do not insist that a relationship is always present. For us teaching the structure of history and the social sciences involves two processes: the first consists of helping students to learn and use a number of analytical questions which have proved useful to historians and social scientists in the past; the second consists of helping students to learn how to generate analytical questions for themselves.

Defining structure as analytical questions implies that there is no single correct structure. Moreover, throughout his life a scholar's conception of structure will change. As he learns more, he will ask new analytical questions suggested to him by the research of others. He will also improve his own ability to let an unexplained fact generate a new analytical question, giving him fresh insights into his data. In this sense the structure of the discipline is an integral part of its mode of inquiry. The excellent historian can be distinguished from the hack in part by the quality and quantity of analytical questions which he puts to his data.

Throughout the four years of the curriculum we have endeavored to help students learn a number of analytical questions drawn from the social science disciplines and to develop skills in asking their own analytical questions. Although there are thousands of questions appropriate to investigation in social science research, we have tried to organize each course around a few key analytical constructs. The course in Comparative Economic Systems, for instance, revolves around four major issues: what goods and services should be produced?, how should goods and services be produced?, for whom should goods and services be produced?, and what relationship exists between a society's value system and the way in which it answers the previous three questions? Only in the broadest and most general sense do these four questions define the structure of economics. They indicate the major issues involved in the essential economic problem, the problem of scarcity, but they are only the sketchiest guide to an attempt to understand the problem. Each large analytical question, such as these, implies a series of sub-questions, each of which helps to organize data. Yet beginning to study with a small list of major analytical categories in mind proves most helpful to students. It is these major analytical categories, the sub-questions they imply, and the ability to ask one's own questions which we define as the structure of history and the social sciences.

As part of the mode of inquiry, analytical questions prove most useful in the process of developing hypotheses. The facts never speak for themselves. They are ordered by each student in accordance with his own frame of reference. A host of fruitful analytical questions increases the bounds of that frame of reference and multiplies many fold the likelihood of a fruitful hypothesis. We increase our store of useful knowledge in both our personal and professional lives by developing and validating new hypotheses. Hence the study of the structure of history and the social sciences should form a vital part of the education of every young American.

4. Knowledge of selected facts and generalizations from history and the social sciences.

Like the ability to use the mode of inquiry of history and the social sciences, knowledge of the content of these disciplines is an exclusive obligation of social studies teachers. The staff of the Curriculum Development Center has tried to face squarely the difficult problem of establishing criteria for the selection of content. In some ways what we teach has been determined by our other three objectives: knowledge of cognitive skills, affective objectives, and the ability to use the mode of inquiry. But we could reach those goals using facts and generalizations from any past society. Hence we were forced to establish three additional criteria for the selection of content. 6/

Our first supplementary criterion is the interest of the child. Over and over again in one course after another, we have tried to tie our selection of content to issues which are of vital concern to intelligent adolescents growing up in American society. One such concern, for example, is the way in which young people allocate their own time among a number of competing demands. By asking them to keep a careful record of the way in which their time is spent for several days and then to reckon the cost, in terms of giving up some of these activities, to devote a few hours each week to politics, we bring the issue of political activity within the context of a child's average day. We also try to raise a number of ethical and moral problems, each in its own social setting, which press upon modern young people. In so doing we are striving for affective goals - the development of a coherent value system and a personal philosophy - using as our starting point the kinds of issues about value and philosophy which trouble young people today.

We also let some of the problems of contemporary society guide the selection of content. We choose to study economic growth in Great Britain partly because economic growth is such a vital matter in the entire underdeveloped world. We look at the impact of modern technology upon traditional cultures for a similar reason. All over the world today cultures are in rapid transition because Western ideas and Western technology are transforming them. If students are to understand their modern world they should have an opportunity to study its major problems, and to look at the way other societies have met similar problems in the past.

Finally, we have chosen some content areas to assure knowledge of a small corpus of knowledge about society which any educated American living in the mid-twentieth century should have. Our curriculum has been designed for able students, most of whom will go to college. In the society in which they live and will live in the future, intelligent people share a pool of information. They all have read, or should have read, Pericles' Funeral Oration. They all know the meaning of the term "Machiavellian." They are acquainted with the works of Shakespeare and Petrarch and Bismarck. Whenever possible, we have selected readings which touch upon the lives or works of outstanding men from all over the world in order to help our students build up the corpus of knowledge common to intelligent people everywhere.

Teaching Strategies

Objectives imply teaching strategies. Scholars have accumulated plenty of evidence to indicate that students at the end of a course know just as many facts and generalizations if they have attended lectures and read textbooks as they do if they have participated in small discussion groups. 7/ If the major objective is to teach quantities of facts and generalizations, then expository teaching to large groups seems to be the most efficient method. On the other hand, if we wish to determine whether or not students can use the mode of inquiry independently of their teacher, we must launch them on a historical investigation entirely on their own.

Because our objectives are diverse, we have been unable to employ any single teaching strategy to the exclusion of others. Instead we have used a whole range of strategies from "pure" exposition to "pure" discovery methods. A number of readings scattered throughout all four years of the curriculum are narrative and expository in form. They tell students about the structure of American governmental institutions and contrast them with Russian governmental forms. They summarize a century or two of European history as succinctly as possible. Similarly, many slide tapes have been designed to convey a maximum quantity of information through both sight and sound. Expository techniques, since they are efficient and sparing of time, seem by any standard the best way to provide students with factual information which they must master.

Expository techniques, however, are not suitable to many of our objectives. For example, a number of our affective objectives require discussion techniques to be used in the classroom. A teacher cannot know when every student in a large lecture class is listening attentively or responding willingly to what the lecturer is saying. A discussion class provides far greater opportunities for a teacher to assess these affective goals. Similarly, a teacher can assess the ability with which students use the cognitive skills which Bloom has classified through gauging their contributions to discussion classes. In a discussion class students can be called upon to analyze or synthesize or extrapolate using material which they may not have seen before.

But if we are to give each individual student a chance to utilize the skills and abilities which he has been learning, we must give him opportunity for individual work. Hence we frequently ask students during discussion classes to pause for four or five minutes to write an hypothesis or draw together--synthesize--a conclusion from scattered evidence. In the eleventh grade course we consistently ask students to come to class prepared to ask four or five analytical questions drawn from the ninth and tenth grade courses which are useful in the analysis of fresh material. Independent research papers also call for each student to work on his own. Only when he can work independently is a student a free investigator. Only free investigation will yield independent judgment. Teaching strategies must build this independence. 8/

Materials

Both objectives and teaching strategies imply a variety of materials. We have provided materials of a very wide range from expository articles and slide tapes on one end to discovery exercises which present only data from which students can build hypotheses on the other. This range of materials is important not only to accomplish specific objectives but also to break the deadly monotony of teaching technique which characterizes so many social studies classrooms.

Most of the courses in our sequence are built entirely from individual readings, each of which begins with an introduction and several study questions. In only one course - the eleventh grade Advanced Placement American History course - do we utilize a conventional text. Even here we have chosen the shortest excellent college text which we could find in order to encourage students to develop their own skill in interpreting the past. Each reading, however, has been chosen with great care to be certain that it contributes to an overall understanding of the subject with which it is concerned.

The types of material in each book of readings vary widely. As we have already indicated, a few readings are simple expositions designed for efficient learning of information indispensable to other aspects of the course. Other readings may contain a biography of a person typical of a particular period or development, a group of charts or tables containing statistical information from which generalizations can be drawn, an analytical article written by a historian or social scientist, or any of a number of other sorts of materials. This great variety interests students intrinsically and provides them with essential opportunities to learn how to handle the enormous range of materials which they will be reading for the rest of their lives.

We frequently supplement reading done as homework in preparation for class discussion with two additional sorts of materials: class handouts and audio-visual aids. By a class handout we mean a mimeographed page or two of information used to focus class discussion. Occasionally this information consists of a discovery exercise. For example, we have printed eight quotations from writers who lived in the United States in the 1830's from which students are asked to make hypotheses about the nature of Jacksonian democracy. We have also mimeographed ten tables about the American economy during the 1920's from which students are asked to develop an interpretation of the cause of the depression. Both of these sets of materials and many others like them build upon homework assignments done in the readings book and contribute to the development of skills and abilities as well as to objectives in the affective domain by the way in which they are handled in class.

A complete kit of audio-visual equipment supplements this written material. In each course we have a number of tapes, slide tapes, single concept filmstrips, and transparencies for the overhead projector. In each case we have tried to use an audio-visual aid only when a particular point can be made better with sight or sound or a combination of the two than it can with the printed word. Like class handouts, and like a variety of printed teaching materials, audio-visual aids break the monotony of typical classroom procedure. They can also present some types of data far more efficiently and with greater intellectual impact than they can be presented in any other way.

The Cumulative Sequence

The four-year sequence of courses had been planned so that the student will be required to employ the skills and knowledge acquired in one course in succeeding years. Each course has been designed to build upon the previous ones, developing the intellectual skills and using the structure of the discipline for further investigations. The overall effect of four years of study is the cumulative development of a more and more sophisticated frame of reference, drawing upon an ever-increasing store of experience.

The content for the four years has been carefully chosen to obtain this cumulative effect. The first course in the sequence, designed for the ninth grade, is called Comparative Political Systems. It compares a primitive government of American Plains Indians with the contemporary governments of the United States and the Soviet Union. In each instance we examine the nature of leadership, decision-making, the role of the individual citizen and the ideological foundation of the political structure. The course in Comparative Economic Systems, designed for the second semester of the ninth grade, compares a traditional economy with a system where most decisions are made in the market (the United States) and a system where most decisions are made by command (the Soviet Union). For each system we focus upon the way in which the basic economic questions - what, how and for whom - are answered. We also examine the relationship between the base society's value system and the way in which it answers the basic economic questions.

The course designed for the first semester of tenth grade is called The Shaping of Western Society. It consists of seventeen units, each focused upon a major problem of historical interpretation. Throughout the year we are interested in the problem of change over time. Hence, students investigate changes in four areas of western society: politics, the economic system, the social organization, and patterns of thought. Two of these themes draw directly upon the structure of political science and economics which students have studied during the freshman year. The other two, touched upon briefly in ninth grade, are developed fully for the first time in this course.

Studies in the Non-Western World, designed for students in the second semester of tenth grade, has been organized around four units: South Africa, China, India and Brazil. In each unit students study the traditional culture before the impact of the West, examine the way in which particular Western ideas and institutions were diffused to the society and analyze one major contemporary problem. For China we study the problem of totalitarianism, drawing on key threads from the political science course and from the first semester of the tenth grade. For India, economic growth and development is the key issue. Here students use the structure from the course in Comparative Economic Systems and from several units in the first semester of tenth grade. The South African unit emphasizes the problems of apartheid. It contrasts the theme of equality against inequality which was introduced in the Shaping of Western Society. The study of Brazil encompasses many themes from the first semester and raises basic questions about the contemporary population explosion.

The eleventh grade Advanced Placement American History course has four major themes: the development of the American economic system, the growth of the American political system, the changing American social structure, and the reflection of these developments in the American intellectual tradition. Throughout the course students use analytical questions they have learned in ninth and tenth grades. Using these questions provides both a review and a device for deepening a student's understanding through using information in a new context.

The development of the skills and abilities identified by Bloom in the TAXONOMY OF EDUCATIONAL OBJECTIVES has also been arranged in cumulative and sequential order. Although it is impossible to develop one's skill fully before a more difficult one is begun, we have attempted in each of the first three years of the sequence to concentrate upon skills in roughly sequential order. Similarly, but with less chance of success, we have tried to concentrate our attention in the affective domain in an ascending order of difficulty over the four years of the curriculum.

In each succeeding year of their work, students are thrown more and more on their own to pursue independent investigations. The first year's course in Comparative Political and Economic Systems is tightly structured to teach essential skills, a mode of inquiry, and a battery of analytical questions drawn from political science and economics. Because students are expected to use this new knowledge and skills in the tenth grade, the course is less tightly organized. The eleventh grade course encourages even greater freedom for each student and involves a larger number of discovery exercises and assignments in which students are to bring analytical questions to bear upon the data presented in their reading. Thus the cumulative sequence has been designed to prepare an evaluating device by which the teacher can judge roughly the degree to which students have mastered material.

In order to teach a course late in the sequence, teachers should know what their students have learned in earlier years. The best way for a teacher to put himself in the student's shoes is to read the material written for the previous courses. Unless he does so, much of the effect of the sequential and cumulative curriculum may be lost.

Supplementary Materials

Most high school semesters are eighteen weeks long. We have provided readings in each course for from fifteen to seventeen weeks. This procedure encourages each teacher to develop materials for an additional week or two on his own or to use one or more of the supplementary projects developed by our staff. Most creative teachers want to include work about some topics in which they are specialists. This sort of flexibility has been provided by including a smaller quantity of reading material than is usual in typical high school courses.

Each week's work has been organized around four readings, leaving the fifth day of each week free. It can be utilized in a variety of ways. Since a battery of short examinations has been provided, many teachers may choose to use part of the fifth day for examinations. Others may wish to discuss current events. In addition, we have provided with each course suggested supplementary readings or exercises which the students can do independently for their fifth assignment each week. During the first semester of ninth grade, students may read from a large collection of articles from current periodicals which can be provided inexpensively in the library. For the economics course they do a number of exercises derived primarily from newspapers. In the first semester of tenth grade they learn to use the library, to write a book review, and to do a controlled research paper. In the second semester of that year they read and review two novels and write an independent research paper in the library. A substantial outside reading program, drawn from recent literature in American history, has been provided for the eleventh grade Advanced Placement course.

Evaluation

A complete battery of objective and essay tests has been provided for all of the courses in the sequence. The testing program has been closely coordinated with the objectives. Short objective quizzes check the recall of factual information and are designed mostly as policing devices to make certain that students read their assignments regularly. Objective examinations usually covering about two week's work have been designed primarily to check knowledge of structure, the development of skills and abilities, certain affective objectives and the knowledge of content drawn from two or more readings. Essay tests, usually also covering two week's work, assess the ability of a student to write history and the social sciences effectively and to use the skills and abilities as well as the mode of inquiry which he has learned.

Two additional types of evaluation require brief comments. The independent research papers which a student writes are the primary evaluating instruments which determine whether or not he can use the historian's method of inquiry well. Only when he can do an independent investigation has he really learned this vital art. The other major evaluating device available to teachers is the degree of skills which students show in class discussions. The constant interplay between teacher and students in small groups often enables a teacher to assess the ability with which his students can utilize the skills they have been taught. Teachers should never overlook the vital contribution of class discussions as evaluating devices.

Maximum Teacher Aids

Like the new curriculum projects in mathematics and the sciences, the four courses in this sequence will be accompanied by maximum aids to the teachers. This elaborate explanation of what we are doing is the first such aid but it does not meet the full obligations of curriculum developers to teachers. Only model daily lesson plans can do so.

This series of courses is substantially different from those that fall within the experience of most teachers. The objectives are different, the teaching strategies are different, the materials are different, even the grouping of students is different. Because so many variables have been changed, the designers of the course feel obliged to indicate to teachers at least one way in which to handle this new context for teaching. We do not intend that lesson plans should be restrictive. Quite the contrary. Teachers should depart substantially from lesson plans or ignore them completely when they decide to work toward other objectives with particular materials. As designers of materials, however, we have felt obliged to indicate one tested way of reaching specified objectives with a particular teaching strategy, set of materials, and grouping of students called upon for a day's work.

The teacher's manual which follows this introduction contains a model lesson plan for each day of the school year. Any creative teacher could develop a number of alternative ways to handle the same material for either the same objectives or for other ones which he might consider appropriate. But beginning teachers or teachers who are embracing quite different materials and teaching strategies for the first time often find model lesson plans extremely useful, particularly in the midst of their busy academic schedule. Hence all teachers are invited to use the teacher's manual as they see fit. The alternatives range from following it precisely day by day to ignoring it completely. Most people will fall along a continuum somewhere between these two extremes. Even teachers who wish to go their own way entirely may find it helpful to look at lesson plans from time to time, partly as a reminder about the relationships of objectives, materials, and teaching strategy and partly as a possible source for new ideas.

Conclusion

We encourage criticism of our overall philosophy, of the materials we have developed, and of our teaching strategies. The Center has already benefited considerably from the comments of teachers who have tried out our courses in experimental form. We invite other teachers to join this dialogue.

Footnote References

1/ Benjamin S. Bloom et al., TAXONOMY OF EDUCATIONAL OBJECTIVES: THE CLASSIFICATION OF EDUCATIONAL GOALS: HANDBOOK I: COGNITIVE DOMAIN. New York, 1956. We have chosen this standard system of classifying cognitive skills in preference to a more recent and in some ways more provocative scheme proposed in the following article: Robert H. Ennis, "A Concept of Critical Thinking," HARVARD EDUCATIONAL REVIEW, XXXII, 1 (Winter, 1962), 81-111.

2/ David R. Krathwohl, Benjamin S. Bloom, Bertram B. Masia, TAXONOMY OF EDUCATIONAL OBJECTIVES: THE CLASSIFICATION OF EDUCATIONAL GOALS: HANDBOOK II: AFFECTIVE DOMAIN. New York, 1964.

3/ For a provocative discussion of the manner in which the role of values has been neglected in traditional social studies textbooks see James P. Shaver, "Reflective Thinking, Values, and Social Studies Textbooks," THE SCHOOL REVIEW, Vol. 73, No. 3, (Autumn, 1965), 226-257.

4/ Innumerable volumes discuss the mode of inquiry of history and the social sciences. One useful summary for students is Paul L. Ward, A Style of History for Beginners. Service Center for Teachers of History, American Historical Association, Washington, 1959.

5/ Some of our conceptions of structure have been drawn from Jerome Bruner, THE PROCESS OF EDUCATION, Cambridge, 1960; Joseph J. Schwab, "The Concept of the Structure of a Discipline," in THE EDUCATIONAL RECORD, XLIII, July 1962, 197-205, also in PROFESSIONAL REPRINTS IN EDUCATION, #8001, (Charles E. Merrill Books, Inc. Columbus); and Lawrence E. Metcalf, "Teaching Economic Concepts in the Social Studies," THE COUNCILOR, XXI, I (March, 1960), 24-31.

6/ For a radically different set of criteria for the inclusion of content see Donald W. Oliver, "The Selection of Content in the Social Studies," HARVARD EDUCATIONAL REVIEW, XXVII, (Fall, 1957), 271-300.

7/ John W. Kidd, "With the Technician," JOURNAL OF HIGHER EDUCATION, Vol. 33, November, 1962, 440-444.

8/ Six films demonstrating inductive teaching of materials developed at the Tech Social Studies Curriculum Development Center are available through Holt, Rinehart and Winston Co., 383 Madison Avenue, New York 17, N.Y. In March, 1966, Holt will publish a social studies methods volume (Edwin Fenton, TEACHING THE NEW SOCIAL STUDIES IN SECONDARY SCHOOLS: AN INDUCTIVE APPROACH) based upon teaching strategies used in the Tech Center.

IMPORTANT NOTE CONCERNING LESSON PLANS

LESSON PLANS CAN SERVE MANY FUNCTIONS. THEY CAN HELP THE INSTRUCTOR INTERPRET THE MAJOR POINTS BEING MADE BY THE WRITTEN MATERIAL. THEY CAN STIMULATE THE INSTRUCTOR TO DEVELOP NEW APPROACHES FOR MATERIAL PRESENTATION. THEY CAN HANDCUFF THE INSTRUCTOR TO A RIGID OUTLINE IMPERFECTLY CONCEIVED BUT DEVOUTLY FOLLOWED. IT IS HOPED THAT THE LESSON PLANS INCLUDED HERE WILL NEVER BE USED TO STIFLE THE IMAGINATION OF THE CREATIVE TEACHER. ANY LESSON CAN BE WELL TAUGHT IN MANY DIFFERENT WAYS. THE PROCEDURES OUTLINED IN THIS MANUAL SUGGEST ONLY ONE WAY OF TEACHING THIS MATERIAL AND ARE NOT PRESENTED AS THE "BEST" WAY. WHAT MIGHT BE "BEST" FOR ONE CLASS, MIGHT NOT EVEN BE GOOD FOR ANOTHER. EACH TEACHER, IN RESPONSE TO THE NEEDS OF A PARTICULAR CLASS, IS THE ONLY COMPETENT JUDGE OF HOW BEST TO STIMULATE ANY GIVEN CLASS ON ANY GIVEN DAY.

THE QUESTIONS AND ANSWERS OUTLINED IN THE LESSON PLANS ARE NOT MEANT AS MODELS TO BE FOLLOWED IN THE CLASSROOM. THESE ARE GIVEN ONLY TO INDICATE TO THE INSTRUCTOR THE ECONOMIC CONCEPTS THAT SHOULD BE DEVELOPED FROM THIS MATERIAL. QUESTIONS ACTUALLY USED IN THE CLASSROOM AND RESPONSES RECEIVED WILL VARY WITH EACH CLASS. IT IS IMPORTANT, HOWEVER, THAT WHEN THE INSTRUCTOR CHOOSES TO USE DISCUSSION TO PRESENT MATERIAL, HE HAVE IN MIND WHAT THE POINT OF THE QUESTIONING IS TO PREVENT A STIMULATING DISCUSSION FROM DETERIORATING INTO AN EXCITING BULL SESSION.

WE HOPE THAT WITHIN THESE LIMITS THE LESSON PLANS WILL PROVE HELPFUL. EVEN MORE, WE HOPE YOU WILL TAKE THE TIME TO INDICATE TO US WHAT HAS BEEN HELPFUL AND WHAT COULD BE IMPROVED. WHEN YOU FIND A WAY OF TEACHING ANY OF THESE LESSONS THAT WORKS WELL FOR YOU, WE'D LIKE TO HEAR ABOUT IT. WHEN YOU TRY ONE OF OUR SUGGESTIONS THAT PROVES TO BE A DUD WE WANT TO HEAR ABOUT THAT, TOO. THESE PLANS WILL BE REVISED ON THE BASIS OF YOUR COMMENTS.

FOLLOWING EACH LESSON PLAN IS A PAGE FOR EVALUATING THAT PARTICULAR LESSON. PLEASE HELP US HELP YOU, BY COMPLETING THESE FORMS EACH DAY. YOUR TEACHER'S MANUAL SHOULD BE RETURNED TO THE PROJECT SOCIAL STUDIES OFFICE AT THE END OF THE SEMESTER.

MAY WE THANK EACH OF YOU IN ADVANCE FOR YOUR COOPERATION IN WHAT WE HOPE WILL BE A PROFITABLE EXPERIMENT IN EDUCATION.

Comparative Economic Systems
Teacher's Check Sheet - 1

Day No.	Reading No.	Title of Reading	Audio Visual Aids	Tests	Student Handouts
1	1	Economic Values of Primitive People			
2	2	American Values			
3	3	The Stated Values of a Soviet Communist Party Member	Transparency	Obj.	
4	4	The "Good" Society			Dialogue, "What Is the Good Society?"
5		No reading			Independent Analysis Period -Assignment I Committee Decision Making Form
6	5	The Traditional Economy: An Overview			
7	6	The Traditional Economy: Resources	Tape "Survival"	Obj.	
8	7	The Traditional Economy: What, How, and For Whom?		Essay	
9	8	Bridging the Gap Between a Traditional Economy and a Market Economy: The Concept of a Spectrum	3 Transparencies		
10		No reading			Independent Analysis Period - Assignment II Committee Decision Making Form
11	9	How One American Firm Answered the Basic Questions (Part I)	Transparency		
12	10	How One American Firm Answered the Basic Questions.(Part II)	Transparency	Obj.	

Comparative Economic Systems
Teacher's Check Sheet - 2

Day No.	Rdg. No.	Title of Reading	Audio Visual Aids	Tests	Student Handouts
13	11	How One American Firm Might Answer The Basic Questions (Part I)	Transparency		
14	12	How One American Firm Might Answer The Basic Questions (Part II)			
15		No reading			Independent Analysis Period - Assignment III Committee Decision Making Form
16	13	The Nature of a Price System	Tape -"The Two-Good Economy"		How Does Profit Motive Affect What? How? For Whom?
17	14	Demand and Supply in the Market (Part I)	Transparency and overlays		
18	15	Demand and Supply in the Market (Part II)	Transparency and overlays	Obj.	
19	16	The Market Society: The Case for Competition			
20		No reading			Independent Analysis Period - Assignment IV Committee Decision Making Form
21	17	The Market Society: Retrospect	Film slides - tape "Agriculture"		
22	18	Problems in Maintaining a Competitive Market System: Agriculture			
23	19	Problems in Maintaining a Competitive Market System: The Steel Industry (An Oligopoly)			
24	20	Problems in Maintaining a Competitive Market System: Price Fixing		Obj.	The Sherman Act

Comparative Economic Systems
Teacher's Check Sheet - 3

Day No.	Rdg. No.	Title of Reading	Audio Visual Aids	Tests	Student Handouts
25		No reading			Independent Analysis Period - Assignment V Committee Decision Making Form
26	21	Problems in Maintaining a Competitive Market System: When the Market Mechanism Fails as a Rationing Device			
27	22	The Market Economy: A Summing Up			
28		No reading		Essay	
29		No reading			Independent Analysis Period - Assignment VI Committee Decision Making Form
30		No reading			Test Evaluation Criteria
31	23	Economic Planning			Planning Game
32	24	The Command Economy - Problems of Planning: Coordination			Planning Game
33	25	The Command Economy - Problems of Planning: Efficiency			Planning Game
34	26	The Command Economy - Problems of Planning: Operating Outside the Plan			Planning Game
35	27	The Command Economy - Some Accomplishments and Some Problems			Planning Game
36	28	The Command Economy - An Evaluation			Independent Analysis Period - Assignment VII Paper for Game Evaluation
37		No reading		Essay	
38		No reading			Sample Test Questions Criteria for Evaluating Tests

Comparative Economic Systems
Teacher's Check Sheet - 4

Day No.	Rdg. No.	Title of Reading	Audio Visual Aids	Tests	Student Handouts
39	29	Economic Choice: The Allocation of Resources	2 Transparencies		
40	30	What Are Resources?	5 Transparencies		Resources
41	31	Changing Resources in the United States	6 Transparencies	Table Reading Test	
42	32	Production: The Role of Physical Capital			
43		No reading			Independent Analysis Period - Assignment VIII (Library Assignment)
44	33	Production: The Role of Human Capital	3 Transparencies		
45	34	Production: The Role of the Entrepreneur			
46		No reading		Mid-Semester Exam	
47	35	Distributing Goods in the Market Economy: Theory			
48	36	Distributing Goods in the Market Economy: The Share of Labor	Transparency		
49		No reading			Independent Analysis Period - Assignment IX Committee Decision Making Form
50	37	Distributing Goods in the Market Economy: The Share of Rent, Interest, and Profit	Slide - Tape "Profits"	Obj.	
51	38	Rich Man - Poor Man - U.S.A.			

Day No.	Rdg. No.	Title of Reading	Audio Visual Aids	Tests	Student Handouts
52	39	Inequalities in Distribution: The Non-White	2 Transparencies		Proposals for Equalizing Opportunities
53	40	Approaches to Equalizing Inequities in Distribution		Obj.	
54		No reading			Independent Analysis Period - Assignment X Committee Decision Making Form
55	41	Growth of American Labor Unions			Script - Norrington Case
56	42	Have Unions Grown Too Strong?			Evaluating Reliability of Material
57	43	Evaluating the Relative Reliability of Information (Part I)		Test of Evaluating Reliability of Material	
58	44	Evaluating the Relative Reliability of Information (Part II)			
59	45	Evaluating the Relative Reliability of Information (Part III)			
60	46	Effectiveness of Anti-Trust Laws in Curbing Power			
61	47	How Strong is Too Strong?			
62	48	?			Term paper instructions
63	49	Distribution in the Command Economy: Theory			
64	50	Distribution in the Command Economy: The Need for Incentives			
65	51	Distribution in the Command Economy: Deviations			

Comparative Economic Systems
Teacher's Check Sheet - 6

Day No.	Rdg. No.	Title of Reading	Audio Visual Aids	Tests	Student Handouts
66	52	Distribution in the Command Economy: Strengths and Weaknesses		Obj.	
67	53	Measuring an Economy's Performance			
68	54	Composition of the Gross National Product			
69	55	The Case for Growth			
70	56	The Search for Stability			
71	57	What is a Depression?	Tape - "When Output Was Low"		
72	58	Inflation			
73	59	The National Debt			
74	60	In Conclusion			
75		No reading		Final Exam	

Subject Objectives: To learn:

1. That the structure of Kwakiutl life centered around the accumulation of wealth for the purpose of destroying it or giving it away.

2. That this seems strange to us because it is foreign to our value system.

3. That the economic decisions made by a society should be seen as a reflection of that society's value system.

Skill Objectives:

1. Ability to interpret social data (Bloom 2.20)

Procedures:

1. Have students describe some Kwakiutl customs. (potlatch, for example)

2. What do these customs indicate? (Should bring out fact that Kwakiutls are not disinterested in accumulating wealth, but to the contrary are very concerned with accumulating wealth for the purpose of destroying it or giving it away.)

3. What do you think of these Kwakiutl customs? (Discuss specific customs brought out in answer to procedure 1. Discussion of specifics should bring out the fact that to American students, Kwakiutl customs seem very strange.)

4. If these customs (use specifics) are obviously so strange to all of us, why did the Kwakiutls persist in following them? (Discussion should come around to understanding that Kwakiutls were not an irrational people, but were behaving in line with their own value system.)

5. Why do the Kwakiutls seem so strange to us? (Because we are looking at them in terms of our own value system.)

6. Using today's lesson as a base, what generalization can we make concerning a rule to be followed whenever we examine an economic system other than our own? (That all economic systems should be seen in terms of the values of the society in which they developed.)

COMPARATIVE ECONOMIC SYSTEMS Lesson Plan: Reading 2

Subject Objective: To learn:

1. that there is no one set of values acceptable to all Americans
2. that there may still be widely held values (for example, that people should be successful or that competition is what makes progress) that distinguish most Americans from the Kwakiutl Indians of the previous lesson.
3. that certain values considered typically American are in conflict with each other.
4. that the common values a particular American accepts for himself will affect his economic decisions.

Skill Objective:

1. Analysis (Bloom 4.0)

Procedures:

1. Would it be possible for any American to live by a code that would include all of the values credited to Americans by Lynd? (Discussion here should bring out fact that many of these values are in conflict with each other. Ask students which of Lynd's values they agree with, which values they disagree with. How would their stand affect their economic decisions?)
2. Call on individual students to introduce common economic decisions which would be affected by choice of conflicting values. As each economic problem is introduced, ask individual students what decision they would make and why, forcing them to trace back from their economic decision to the value which dictated its choice. For example, if students don't mention the following as economic decisions that would be affected by individual's choice of values, teacher might introduce:
    a. Choice of whether or not to support bill proposing medical care for the aged.
    b. Choice of voting for presidential candidate supporting increased federal spending or candidate advocating a decrease in federal spending.
    c. Choice of buying car on time and making payments for next 24 months or waiting until you have saved up enough money to pay cash for a car.
    d. Choice of borrowing money to go to college or going to work as soon as graduating from high school rather than go into debt.

COMPARATIVE ECONOMIC SYSTEMS **Lesson Plan: Reading 3**

Subject Objectives: To learn:

1. Russian goals as stated by Premier Khrushchev before a Pittsburgh, Pennsylvania audience in 1959
2. that these Russian economic objectives have some close parallels with American economic objectives, however much the means towards those ends may differ.

Skill Objective:

1. Production of a Unique Communication (Bloom 5.10)

Procedures:

1. Allow 5 minutes for ten-question objective quiz.
2. Spend some time discussing cartoon interpretations. Make point that cartoons tell us something about people who are satirizing as well as people being satirized.
3. Call on individual class members representing the President of the United States to deliver a speech concerning American economic objectives, imagining their audience to be citizens of Moscow. Discuss each speech at its conclusion to bring out the values that were built into the speech and to discuss whether or not these values would be likely to strike a responsive note in Moscow.
4. Give assignment for fifth day's class. Ask students to bring to class newspaper or magazine advertisements collected throughout the week that seem to reflect particular economic goals of Americans.

Transparencies: Cartoon Comments

Transparency with Lesson 3 consists of two copyrighted cartoons.

Rochester Times-Union, "Consultation at Camp David" THE AMERICAN VIEW
Ike and Nikita consulting with battered Wordd in ante-room awaiting decision.

Isvestia, "This is What the People Want" THE RUSSIAN VIEW
World figures tossing armaments into the sea with halo stating General and Complete Disarmament

COMPARATIVE ECONOMIC SYSTEMS

First Objective Quiz
Readings 1, 2, 3

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question choose the best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer to each question. YOU WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.

1. Economics refers to the study of
   A. how production is controlled.
   B. how money can be used to best advantage.
   C. how the problems of labor and management might best be solved.
   *D. how goods are produced; what goods are produced; and for whom they are produced.

2. Economics deals basically with the problems arising out of
   *A. scarcity and the need to allocate scarce resources.
   B. home management.
   C. making money.
   D. national supremacy.

3. A value system is not
   A. the basis of a society's economic decisions.
   *B. the mass accumulation of wealth.
   C. reflected in the objectives of a society.
   D. the goals considered desirable by a society.

4. A "good" economic system can be identified as that system which
   A. accepts that which is good for the majority.
   B. accepts a set of goals considered desirable by its leaders.
   C. distributes personal wealth equally.
   *D. advances the values of its own society.

5. The economy of the Kwakiutl Indian was influenced by all but one of the following:
   *A. the desire to travel extensively.
   B. their easy access to an abundance of resources.
   C. their desire to display their wealth.
   D. the importance placed on the opinions of others.

6. Almost all people living in the U.S.
   A. have easily identifiable group values.
   B. have agreed on desirable economic goals.
   *C. have agreed to live under a political system that accepts the values expressed by the voting majority.
   D. have agreed on the desirability of human equality.

7. "A man owes it to himself and to his family to accumulate as much wealth as he can," is a basic assumption most likely to be held by

I. Americans II. Russians III. Kwakiutl

A. I & II *B. I & III C. II & III D. I, II, & III

8. An American who believes that "no man deserves to have what he hasn't worked for" would be likely to vote for

A. immediate extension of the Social Security Act to provide medical care for the aged.
B. federally financed recreational areas.
*C. decreased federal spending for public welfare.
D. extended unemployment compensation.

9. When Premier Khrushchev spoke in Pittsburgh, Pennsylvania in 1959 he expressed

A. the known opinions of all Russians.
B. his own personal opinions.
*C. his public opinions considered favorable for American consumption.
D. his public opinions regardless of his audience.

10. The national accumulation of wealth is a goal of

I. Americans II. Russians III. Kwakiutl

A. I & II B. II & III C. I & III *D. I, II & III

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT

Every fifth period is to be used as an independent, student activity period. Activities or problems will be assigned relating to subject objectives studied during the past week. THERE SHOULD BE NO TEACHER INVOLVEMENT IN THESE ACTIVITIES, OTHER THAN ASSIGNING THE PROBLEM. The objective of these assignments is two-fold: (1) each assignment attempts to encourage a transfer of knowledge from theory to practice; (2) students will hopefully be stimulated to learn without direct teacher stimulation.

In preparation for these assignments, students should be divided into workable discussion groups. Ideally each group should have no less than six students and no more than nine. Decision forms should be given each group (suggested forms will be found at end of manual), and each independent session should conclude with filling in the form indicating briefly what was done and what conclusions reached. These forms should be left with the teacher at the end of the class period.

First Assignment:

Bring to class newspaper or magazine advertisements collected throughout the week that seem to reflect particular economic goals of Americans. What values are being appealed to in each advertisement? Which of these goals are in agreement with those held by most Americans? Which are in agreement with Russian goals? Which in conflict? As a committee, evaluate the net message of the clippings produced by your committee members.

Economic Problem for the Day

On the basis of the advertisements you have examined, what are the principal values to which you believe the advertisers are appealing?

Instructions: Be sure to leave sufficient time at the end of the period to fill in your committee report to be left with your teacher before leaving the room.

Subject Objective: to recognize

1. That each individual's concept of the "good society" is a reflection of his values.

Skill Objective:

1. Evaluation

Procedures:

1. Have dialogue, "What Is the Good Society," presented in class. Copies can be given to individuals who are to read parts of moderator, Rozanov, Anderson and Ishwar the day before to allow them some preparation time, but this is not essential. These parts can easily be read without previous preparation.

2. After the dialogue has been presented, discussion on "What Is the Good Society" should be opened up to the class. Outlines prepared can be collected if the instructor desires feedback on individuals' abilities to cope with this problem or can be used as basis of further discussion. It is suggested that as little teacher direction as possible be given to this discussion as the students now have sufficient background on this limited subject to discuss meaningfully among themselves.

the world. . . .

"In my traveling around the country I saw many of the younger generation. I saw many children in the streets. I can assure you that we are not less successful in this respect, too, nor less successful in the development of industries. We love our wives, our fathers, our children, just as much as you do.

. . ."I have come to see how the slaves of capitalism live and I see their life is not a bad one at all.

"May I say we, too, will catch up and we will lead as rich a life as you are living. We will equal you in your riches and your wealth. We want to catch up with you to equal your wealth, not by methods of piracy as it used to be in the olden days when the pirates did not create anything but lived off what was created by others.

"We want to overtake and surpass you by our physical and spiritual efforts, by the creative powers of our people. We want to be just as rich as you are. . . .

". . .You love your way of life, your system; we love our system and our social order. You believe yours to be better; well live under those conditions until you become convinced of the opposite, but let us not hinder one another.

"One of the warnings that we give is that we sincerely say to you, the Socialist order is a better one, creates better conditions for the growth of the productive forces of the people. It allows a more rapid development of the national economy. You, perhaps, do not accept that although it is a natural fact, the social system has already demonstrated that.

"Well, God be with you, that is up to you and if you want to continue developing under your old system that is up to you to decide, but we are going to gallop ahead on our new Socialist course. If you continue progressing in the old way we will surpass you. Let us live in peace and let us have sincere competition, in which in any case there will be no bloodshed. . . ."

* * * * * * * * *

Come to class tomorrow prepared to make a comparable speech covering American economic objectives which might have been delivered by an American president in front of a Moscow audience.

READING IV

WHAT IS THE GOOD SOCIETY?

Moderator: Good-day. "TV Round Table" takes on an international flavor today as we ask the question, "What is the good society?" Our guests for the discussion are: Mr. C. B. Anderson, a newspaper editor from Iowa in the United States; Mr. Z. K. Rozanov, an economist in Gosplan, the central planning agency in Moscow; and Miss V. S. Ishwar, a member of Parliament in New Delhi, India.

Our purpose in this discussion is to see how you three people define a "good" society. I hope in particular that you will concentrate on the economic issues here. What is it that you are interested in measuring when you ask whether a particular economy is a good one or not?

Mr. Rozanov, will you lead off?

Rozanov: Well, the first principle is an easy one to establish. The good society must by definition be one that is good for the masses of the people and not just for the favored few. This means that there mustn't be exploitation of labor by private ownership of capital. Wherever you have capitalist owners, your have little interest in directing the nation's resources to those places where people benefit most rather than where profit is greatest. And the good society must put people above profits.

Anderson: Wait a minute now -- you're assuming that . . .

Rozanov: No, you wait. You'll have your chance. My American friend is stung because he senses that, for all of its current wealth, his society cannot be called good on the score of distributing its product fairly so as to wipe out poverty, or on the score of growing rapidly. His is a society of much wealth for some and much poverty for others -- and it's a society built on waste and greed.

Anderson: At this point, I object vigorously. Mr. Rozanov isn't describing my country as it really is; he's describing it as his party wants him to. These are old cliches that he is repeating. If he'd just come and look for himself, he'd see that the United States is a country where the average consumers -- not the wealthy few, but the vast bulk of the people -- live far better than the people in his country. No society has ever produced so much for so many.

Rozanov: What you produce is often just wasteful or frivolous or ugly. You don't produce what people really want and need.

Anderson: How do you conclude that? I should think that one part of the answer to the question of what the good society is would have to stress consumer sovereignty -- or, in plainer words, the idea that nobody knows better than the individual consumer what is good for him. That's the strength of our society. Consumers decide what they want -- they don't leave it up to Mr. Rozanov and his fellow planners.

Rozanov: I suggest you want to think some more about planning. Because another element of a good economy is rapid growth. And on that score, we're accomplishing a better growth rate through planning than your tired economy is doing without central planning.

Anderson: Let's wait and see first whether this faster growth is real rather than a trick with statistics. Let's see whether you can continue to grow as fast in the future. And let's see whether the growth really means anything for the average consumer.

Ishwar: So far in listening to both of you, I get the impression that the "good society" is either the wealthiest one or the fastest growing one. Is that all there is to it?

Rozanov: No, we didn't put it that simply. We said that you also had to ask how the wealth is shared ---

Anderson: And we asked what the growth is used for; is it for consumers or merely for the state?

Ishwar: You see, if you put the definition of a good society in terms of wealth, then I automatically have to say my society is not good. Everybody knows that Indians are very poor. On the average, the Indian has to live on about one-fortieth of what the American lives on. And yet, while we have lots of problems, I think of our society as being a good one -- and on the way to becoming still better.

Moderator: Well, is the progress you are looking for something modelled on either the Russian or the American economy?

Ishwar: The best answer to that is from our beloved Mahatma Gandhi who spoke for so much of India's hopes. He said, "I want the winds of all nations to blow through my house but I don't want to be swept off my feet by any of them." We want to learn from the experience of others, but we want to build a society that meets our own definition of good.

Moderator: You seem to be saying then that another characteristic of the good society is that it fits the particular needs of a particular culture. But how is your definition of "good" likely to differ from that of, say, the two great industrial nations represented here?

Ishwar: It won't be entirely different of course. Men aren't all that different. We want material things, of course. We want an end to starvation and homelessness -- and hopelessness. But we will insist that the good society has to have more than material wealth. There are other values too.

Rozanov: We'd agree with that at once. We don't think a man lives by bread alone -- even good Russian black bread.

Anderson: So would we. Materialism isn't either a disease or a religion with us.

Ishwar: You both say that. But so much that you do reflects a tremendous race for economic goods. You quarrel with one another not about who is doing the most for man's spirit but about who is feeding his stomach the fullest. One of your leaders, Khrushchev, said, "We'll bury you." And he meant we'll outproduce you.

Rozanov: That was a leader from the past. He doesn't speak for us now.

Anderson: Aha, that's the point! What happened to him? The same thing that happens in all dictatorships. We're talking about economics here -- but you can't divorce it from the political. And freedom is a key part of it. What good is a society if you have all the wealth but no freedom to decide what's to be done with it?

Moderator: Let's stay away from Mr. Khrushchev and -- well, let's stay with economics as much as we can.

Rozanov: But he accused me of talking about his country in terms of cliches. I turn the charge on him. What does freedom mean? Where is the freedom in his country for the man without a job?

Moderator: Fine, let's discuss that -- but let's confine it to economic freedom for the moment.

Rozanov: Economic freedom has to mean the freedom of the people's representatives to build a society without exploitation, and without war-mongering, and without unemployment.

Anderson: It isn't easy to define economic freedom. But I suppose to most Americans it means the freedom to work where you want, to go into a business and make a profit (or suffer a loss if that is the case), and to be able to spend your money on goods that you personally want -- not what the state tells you that you should want.

Ishwar: But all of this is materialism again.

Anderson: Not so. A man may choose to spend his money on good music or fine books or just in going to a far-off lake to sit and think. Materialism doesn't have to interfere with spiritual values you know.

Moderator: Miss Ishwar, what does the term "economic freedom" mean to you as an Indian?

Ishwar: I should think it would mean -- well, it's certainly an important word with us. We fought hard for political freedom just two decades ago. And now we're fighting for economic freedom in the sense of freedom from hunger. We have to ask the hard question of whether we have any right to talk about any other concept of freedom so long as men's stomachs are empty.

Rozanov: Quite so. That's the same idea we have.

Ishwar: But no, it isn't the same. Because even while we are hungry, we want to get out of hunger through politically democratic ways. We want you to be free in Russia to grow in your own way -- and even for the Chinese to grow in their own way so long as they don't try to grow across our borders! But we want to grow in our way -- and this must be a way that never permits material wealth to get in the way of spiritual values. We don't want to get caught up in a race for growth for growth's sake.

Moderator: You seem both to want growth and to be afraid of it.

Ishwar: Well, growth has never been part of our aspirations until recently. Today's Indian doesn't live much better than the Indian of 4,000 years ago. Where we've seen isolated wealth in our society, we've seen cruel exploitation. Gandhi taught us that industrialization, at least on the mass scale of the West, is evil because one man gets rich at the expense of others.

Anderson: But our history disproves it. No one will deny there are abuses or excesses in that history. But the idea of exploitation of the masses simply doesn't stand up to examination. Labor's income disproves it. Some people get more than others, of course -- but that's true of every society the world has known, specifically including yours, Mr. Rozanov. But the differences are not so great in our country as to cause serious unrest. Remember that a free society can only survive with the consent of the governed. Our economic system can only survive so long as people believe they are better off under it than under any alternative system.

Rozanov: Then what about your unemployment? We don't have that problem -- we've licked it through planning.

Anderson: I admit it's a problem for us. Another characteristic of a good society is that it knows its problems and admits them. You say you have no unemployment. I don't know; maybe it's disguised. But we have it, and it's bad. Remember however there's a trade-off here. We want high employment, but we also want stable prices, and we want the maximum freedom from government interference too. These goals don't always mesh together neatly. If the cost of maintaining full employment were to be complete central planning, I doubt if we'd be willing to pay that price. We're trying in other words to stabilize our economy but still keep it basically free.

Ishwar: This touches on one of the biggest differences in our views of the good economy. To the Russians, government is the central organizer and the chief agency for achieving good. To the Americans, government often seems a necessary evil -- something to be used only when there is no other alternative. To the Indian, there is a need to find some path between these two extremes, some combination of the free economy and the planned economy. It would be interesting to know why these differences exist. What led each country to see things so differently?

Moderator: I agree that it would be interesting, Miss Ishwar -- but time won't permit. Perhaps however our listeners will want to continue the discussion for themselves. I imagine that, for long ages to come, men will still be discussing the question with which you grappled here today: "What is the good society?" And I imagine -- and hope -- there will always be more than one answer.

Handout for Day 5

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT

First Assignment:

Bring to class newspaper or magazine advertisements collected throughout the week that seem to reflect particular economic goals of Americans. What values are being appealed to in each advertisement? Which of these goals are in agreement with those held by most Americans? Which are in agreement with Russian goals? Which in conflict? As a committee, evaluate the net message of the clippings produced by your committee members.

Economic Problem for the Day

On the basis of the advertisements you have examined, what are the principal values to which you believe the advertisers are appealing?

Instructions:

Be sure to leave sufficient time at the end of the period to fill in your committee report to be left with your teacher before leaving the room.

COMMITTEE DECISION MAKING FORM

As a committee, what was your decision concerning the economic problem of the day?

On the basis of what criteria did you make this decision?

Was the committee unanimous?

How many committee members agreed with the decision?

How many did not?

What was the basis of this agreement?

Subject Objectives: To learn:

1. That the Eskimos had developed a pattern or system for making economic decisions.
2. That the basis for this system was custom.
3. That such a system inhibits economic growth.

Skill Objectives:

1. Translation (Bloom 2.10)
2. Evaluation (Bloom 6.0)

Procedures:

1. Discuss reliability of sources for a few minutes. (How reliable did student consider the material read last night? Did they consider Stefansson and Spencer equally reliable? Why? Stefansson, an explorer, would be less reliable than Spencer, a scholar evaluating a culture in its total context.)
2. In evaluating reliability of material, what are some of the criteria that can be used in evaluating accuracy? (Should include mention of author's background.)
3. What were some of the Eskimo practices which would have a bearing on the economic well-being of the people? (Discuss the practice of sharing food so that all were cared for, working together for aggrandizement of one man who in turn accepted economic responsibility for group, strong kinship responsibilities, superstitions against being too successful.)
4. What appears to be the main determinant of Eskimo behavior? (Let students play around with answers to this, but if they do not see the significance of custom in determining these practices, ask why the Eskimos hunted seals rather than caribou even when caribou were easily available.)
5. How would the practices discussed in these readings affect the economic development of a society? (Students should recognize that many of these practices would inhibit economic growth.)

Subject Objectives: To know:

1. That survival depends upon one's knowledge of how to use available resources.
2. That the availability of natural resources depends upon a society's recognition of their worth and ability to utilize what is available.
3. That customs and attitudes that seem strange to us may have developed for perfectly logical reasons.

Skill Objective:

1. Making inferences from information received by audio methods.

WARNING: ALL DISCUSSIONS SHOULD BE LIMITED TO JUST A FEW MINUTES SO THAT AMPLE CLASS TIME IS LEFT TO HEAR THE ENTIRE RECORDING. RECORDING TIME, 20 MIN.

1st Break

Discuss very briefly the class' thoughts concerning the group's device for survival. Bring discussion around to what member of the group they think will make the greatest contribution to survival.
(Sample Questions: What do you think are the group's chances for survival? What member of the group will add most to the possibility of survival -- the doctor, the engineer, the pilot or the Eskimo? Why?)
Don't let discussion continue for more than a very few minutes before continuing recording.

Before starting Part 2 tell class to make note of what resources the group had available, and how each resource became an important factor in survival.

2nd Break

Discussion at this point should center around which member of the group is making the greatest contribution to survival. Consideration should be given to an understanding of how "educated" Arvick the Eskimo was in the ways of survival under these particular circumstances.
(Sample Questions:

1. What resources were available for survival?
2. Were these resources equally available to all members of the group? Not really, as only Arvick knew how to utilize them.
3. How educated would you consider Arvick as compared to Dr. Carter or James Nelson, the mining engineer? By American standards, for use in an American culture, he obviously had less formal education. However, just as obviously, he was much better "educated" in the skills needed for survival in the Arctic. It might be worth developing the thought that education itself is a resource only when geared to the needs of the society with which the educated individual is living. Do not spend too much time on this point, however, as it is secondary to the main concept being developed.)

3rd Break

Should discuss decision to leave Dr. Carter behind.

1. Do the members of the class agree with this decision?
2. What were the alternatives?
3. If the rest of the group was to survive, did they have a choice?
4. When the class read about Eskimo practices of abandonment, how did they react?
5. Does this incident concerning Dr. Carter change their attitudes in any way concerning abandonment practices?
   (Attempt should be made to make students aware of the fact that customs that seem bizarre to them may well be a perfectly logical outcome of a society's handling of a peculiar set of circumstances.)

1 Tape: Survival

Reading 6

Script for Tape: Survival

From Professor Walter Goldschmidt, "Survival," a recording in the series "The Ways of Mankind," Series I, (Urbana, Illinois, University of Illinois, National Association of Educational Broadcasters).

Subject Objectives: To know:

1. How the Eskimos answered the three basic economic questions: what, how and for whom?

2. That most of their answers resulted from the emphasis on traditionalism in their economy.

Skill Objectives:

1. Supporting general statements with specific evidence (Interpretation Bloom 2.20)

2. Making hypotheses on the basis of available evidence (Synthesis Bloom 5.10)

Procedures:

Devote first five minutes to objective test.
Before beginning class discussion, announce to class that last five minutes will be spent checking notes taken by students.
BE SURE TO LEAVE 5 MINUTES OF CLASS TIME AT END OF PERIOD TO DO THIS.

1. From the reading you did last night and from the questions you were told to consider as you read, what do you think would be a logical framework for our class discussion today?
(Do not spend too much time developing this. If students do not quickly come around to recognizing that the Eskimos' answers to the basic economic questions form the structure of this lesson, tell them this. Tell them also that in taking classroom notes, one should always attempt to anticipate a structure into which such notes can be placed. On board or overhead head three columns -- WHAT -- HOW -- FOR WHOM)

2. From your reading, what do you know about how an Eskimo decides what to produce? Give specific examples to support your statements.
(Under heading WHAT list as class discussion develops, factors indicating that Eskimos produce pretty much the same goods their fathers produced.)

3. How does an Eskimo decide how he will produce whatever it is he decides to produce? Give specific examples to support your generalizations.
(Under heading HOW, list as class discussion develops, factors indicating that Eskimos produce goods with the same skills and techniques as their fathers and grandfathers did.)

4. How does an Eskimo decide for whom he will produce? Give specific examples to support your generalizations.
(Under heading FOR WHOM list factors indicating that Eskimos produce goods for same groups of people who depended on skill and energy of their fathers.)

5. Let us look at the factors which affected Eskimo answers to the basic economic questions. Which of these factors reflect institutions inherent to a traditional economy?

6. Study your class notes for a minute or two. On the basis of your notes, what generalization would you make concerning the prospect of economic growth within a traditional economy? How would you support your generalization?

CHECK NOTES TAKEN DURING CLASS DISCUSSION.

Assignment: Essay Examination tomorrow covering Readings 1-7.

COMPARATIVE ECONOMIC SYSTEMS

Second Objective Quiz
Readings 3-7

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question, choose the best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer to each question. YOU WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.

1. The basic problems which all economic systems must solve are:
   A. how to eliminate poverty.
   *B. what, how, and for whom goods will be produced.
   C. what type of industries will be most profitable.
   D. how economic decisions can be made to reflect the will of the majority.

2. A traditional economy solves its basic economic problems by referring to
   A. a control planning committee.
   B. its chief.
   *C. custom.
   D. wise men who are constantly looking for better ways to manage their economic life.

3. In his traditional economy the Alaskan Eskimo
   A. carried on extensive trade.
   B. experimented with new ways of doing things.
   *C. encouraged individuals to develop a number of varied skills geared to survival.
   D. encouraged specialization.

4. Which of the following refers to the Eskimo economy?
   *A. decisions based on tradition   C. decisions made by command
   B. decisions made in the market   D. flexible in the face of change

5. A command economy is characterized by:
   A. economic decisions made by a dictator.
   B. economic decisions enforced through police brutality.
   *C. economic decisions made by a central authority.
   D. economic decisions resulting in a high degree of efficiency at all times.

6. A society which makes its economic decisions through the market must support
   A. a highly developed stock exchange.
   B. a common meeting place for farmers to display their goods.
   C. a strong centralized government.
   *D. a system encouraging individual freedom.

7. Most societies are
   A. Mixtures of command and traditional economies.
   B. mixtures of traditional and market economies.
   C. mixtures of command and market economies.
   *D. mixtures of all three.

8. Economic resources refer to
A. natural resources of land and sea.
B. machinery used in production.
C. supply of available labor.
***D. all three.**

9. The Eskimo economy relied most heavily upon
***A. human resources.**
B. plentiful and varied supply of natural resources.
C. capital resources.
D. all three.

10. The structure of Eskimo society affected its economy in all but one of the following.
A. Emphasis on identifiable success as hunters.
B. Emphasis on importance of kinship.
***C. Emphasis on progress.**
D. Emphasis on superstition.

COMPARATIVE ECONOMIC SYSTEMS

Essay Examination I
(Readings 1-7)

This examination will require 30 minutes. Follow the directions carefully. Spend at least five minutes planning your essay before you begin to write. Spend another five minutes outlining before you write your final answer.

DO NOT WRITE ON THIS EXAMINATION PAPER.

"The value system of the Alaskan Eskimos was the major deterrent to their economic development."

Write a paragraph or two in which you support or refute the above statement. Your answer should enumerate the Eskimo values which hinder economic development, as well as factors other than values inhibiting economic growth.

STATE YOUR POINT OF VIEW CLEARLY.

DEVELOP YOUR ARGUMENTS SUPPORTING YOUR POINT OF VIEW LOGICALLY.

DO NOT RAMBLE -- STICK TO THE POINT YOU ARE MAKING.

USE CONCRETE AND SPECIFIC EVIDENCE TO SUPPORT EACH ARGUMENT.

ONLY USE EVIDENCE THAT PERTAINS TO THE POINT YOU ARE MAKING.

Subject Objectives: To learn:

1. the basic assumptions of Adam Smith's concept of a pure market society

2. that no society is a perfect economic model

3. that societies can be compared only by using multiple criteria

Skill Objectives:

1. Making inferences from source material. (Interpretation. Bloom 2.20)

2. Understanding a spectrum, and avoiding fallacy of "excluded middle" (Knowledge of Terminology. Bloom 1.11)

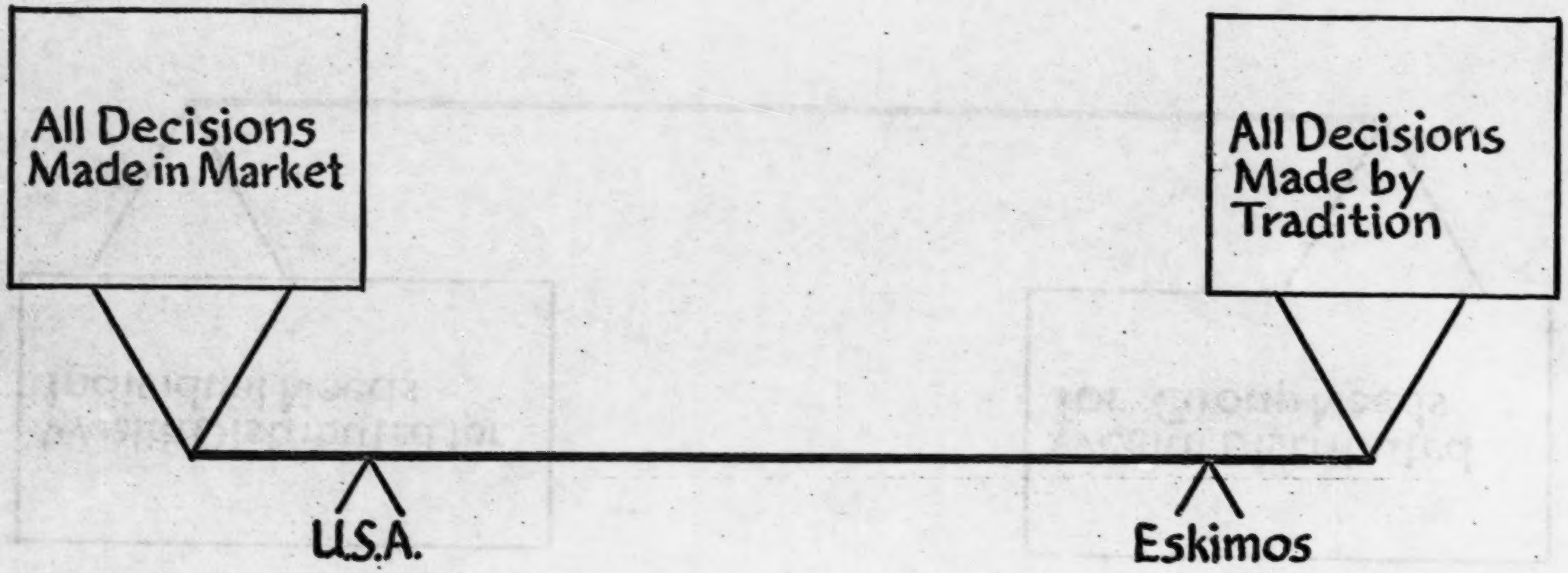
Procedures:

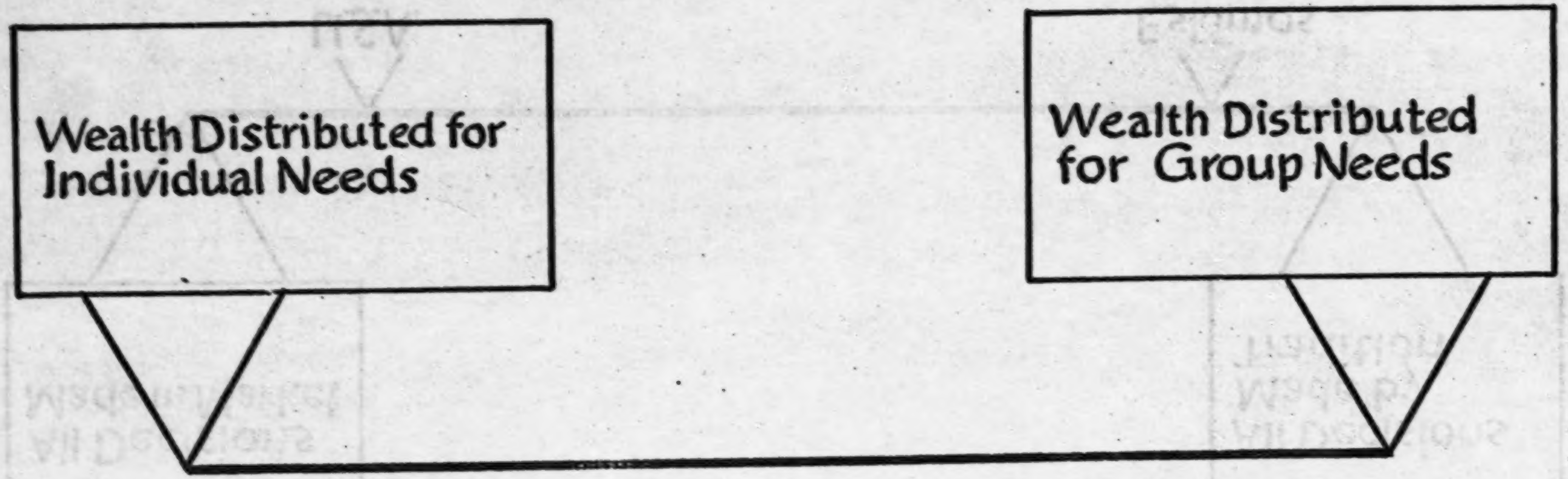
1. Discuss assumptions to be drawn from excerpts from Adam Smith (Discussion should be used to bring out (a) self-interest in guiding market decisions; (b) Smith's contribution in indicating that self-interest was not only not immoral, but for the best interest of society; (c) the implication that government should have a restricted role in making economic decisions; (d) the implication concerning the rationality of men's economic decisions, that is that men know what economic goals they desire and can usually make economic decisions in a rational fashion designed to reach these goals. Avoid discussions of how market works as this will be gone into in detail in a later lesson.

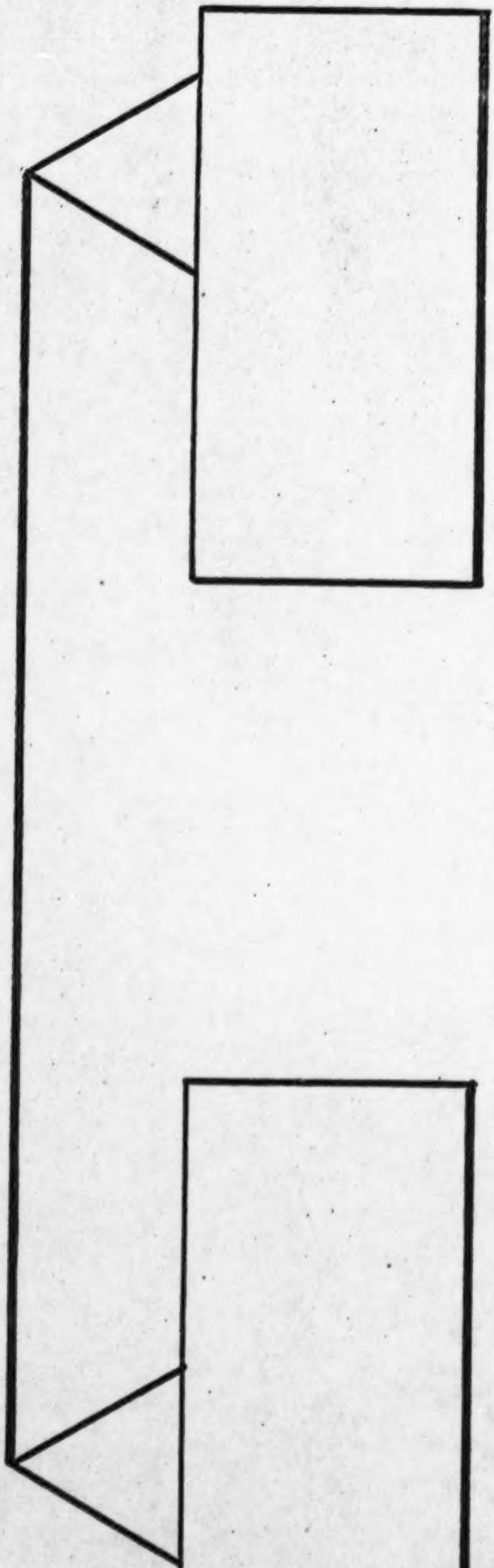
2. Is Smith's description of a pure market economy an accurate description of how the American economy operates? (Let class discuss for a while, to bring out a few ways in which the American economy deviates from the model. But make sure too that they see those areas of our economic life where the market system does operate. Again avoid a detailed discussion of any deviations as later lessons will go into breakdowns in competition at great length.)

3. Have student read list of criteria by which economics can be compared. Draw spectra on board or overhead. Start this phase of discussion by putting reproduction of spectrum comparing economies in terms of decisions made in market vs. decisions made by tradition or command to check class comprehension. On the transparency (2) comparing ways of distributing wealth, have class position U.S. and Eskimos. Then use transparency (3) to evaluate economies on basis of criteria to be suggested by class. Use various criteria to describe extremities. Have class compare Eskimo and American economies by positioning them on spectra.

Transparencies: 3


All Decisions Made in Market
All Decisions Made by Tradition
U.S.A.
Eskimos


Wealth Distributed for Individual Needs
Wealth Distributed for Group Needs



Lesson Plan: Reading 9

Subject Objectives: To know:

1. How one company developed within a market economy

2. How the market economy affected this company's answers to the basic economic questions - "What should we produce and how should we produce it?"

Skill Objectives:

1. Translation of case specifics to economic generalizations (Bloom 2.10)

2. Knowledge of terminology (Bloom 1.11)

Procedures:

1. Have a student read his list of Dennison developments characteristic of development within market economy. (Should include items such as specialization among shoemakers forcing Andrew Dennison out of shoe business, setting up to manufacture jewelry boxes in response to known demand, etc.)

2. Does everybody agree with this list? Additions? Deletions?

3. What is it about a market economy which would encourage each of these developments? (Take items individually and analyze, e.g., shoemakers specializing and making ready-made shoes -- how does market economy encourage? looking for expanding market for jewelry boxes - how does market economy encourage? etc.)

4. Could these same developments have taken place in a traditional economy? Why not? Look at some of the developments noted and discuss possibility of occurring in traditional economy.

5. In general, how did Andrew Dennison answer the question, "What shall I produce?" Give some specific examples of when he faced this question and analyze the basis for his response. How did he answer the question, "How shall I produce it?" In what way were his answers to these basic questions characteristic of a market economy?

6. Let's take a look at the glossary at the end of Reading 9. (Put transparency of terms minus definitions on overhead.) Do any of these terms need clarification? (Handle in accordance with needs of class.)

Transparency: Glossary words without definitions

1 Market

2 Diversifying

3 Credit

4 Dividends

5 Individual Proprietorship

6 Liability

7 Partnership

8 Distributor

9 Consumers

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT

Second Assignment:

You are invited to join a research team that is going to study a colony of Polynesians on a South Pacific island this next summer. Your team has been told by earlier visitors to the island that these people are not oriented towards accumulating wealth and that the idea of personal success measured by material wellbeing is relatively unknown here. An anthropologist, for example, has said that the islanders do not appear to be members of a society where scarcity can be considered the dominant economic fact of life. "They just don't think that way," he says.

Your part of the team project is to see whether you can find evidence to support or to cast doubt on this characterization of the islanders.

Meet as a committee to decide on the key questions and observations which you will use to guide you in your study. It will probably take more than one follow-up question in each area to gather firm evidence for your findings. Explain on the decision reporting form why you chose these questions and observations as the most likely to help your study.

Sub assignment:

Think about the question of how you would respond to this islanders' question about your own society: "But why do you want to accumulate material things?"

Lesson Plan: Reading 10

Subject Objectives: To know:

1. How one company developed within a market economy
2. How the market economy affected this company's answer to the basic economic question, "For whom are goods produced?"

Skill Objectives:

1. Translation of case specifics to economic generalizations (Bloom 2.10)
2. Knowledge of terminology (Bloom 1.11)

Procedures:

Devote first five minutes to objective quiz.

1. Have student read list of Dennison developments taken from Reading 10 which he considers characteristic of firm operating in market economy.

2. Everybody agree? Are there additions? Deletions?

3. How did the market economy encourage each of these developments? Would these developments have occurred in a traditional economy? Why?

4. Which of these developments pertain to how the Dennison Company answered the question, "For whom?"

5. When the Dennison Company was operating as a single proprietorship, who was benefiting from their being in business -- or, in other words, for whom were they producing? (The obvious answer will be for themselves. Be sure to take the question beyond this point. Who, besides the owners, benefited as a result of the company's being in business?
   1. Workers in form of jobs and wages
   2. Consumer in form of products available for his use.
   3. Government in form of taxes --(even before the day of business taxes, businesses contributed to government directly through real estate taxes and indirectly through taxes paid by their workers.)

6. When the Dennison Company was operating as a partnership, for whom were they producing? (Same as when operating as single proprietorship, only difference being that ownership of company has been extended so more owners are sharing in profits.)

7. When Dennison Company operating as corporation, for whom were they producing? (Same as single proprietorship and partnership, only difference being ownership extended still further and more participants share profits.)

8. You will remember that Adam Smith said that in a market society, every individual in pursuing his own interest frequently promotes the best interests of society as well. Would you say that the story of the Dennison Company proves or disproves this statement? Why?

9. Put on the overhead glossary terms without definitions. Are there any questions concerning the meaning of these terms?

Transparency: Glossary words without definitions

1 Corporation

2 Bankrupt

3 Stock

4 Stockholders

5 Board of Directors

6 Public Exchange

7 Broker

8 Charter

COMPARATIVE ECONOMIC SYSTEMS

Third Objective Quiz
Readings 7-10

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question, choose the best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer to each question. **YOU WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.**

1. Resources useful to an Eskimo living within the structure of a traditional community include
   A. a mild climate.
   B. patent laws.
   C. lumber.
   [✓ D.] sealskins.

2. All but one of the following factors discouraged economic expansion within the Alaskan Eskimo society
   A. scarcity of resources
   B. difficulty of trade
   [✓ C.] close family relationship
   D. traditional structure of society

3. Eskimos hunt seals as they do because
   A. it is the most efficient way to catch seals.
   [✓ B.] it is the way Eskimos have always hunted seals.
   C. it is a pleasant way to bask in the sun.
   D. it is impossible with the limited resources available to them to develop other ways of hunting seals.

4. Adam Smith said that in a market society people were moved by
   [✓ A.] self-interest.
   B. a visible hand.
   C. a love of humanity.
   D. a desire to save their souls.

5. All of the following were advantages of incorporation to Andrew Dennison EXCEPT:
   A. Incorporation granted limited liability.
   B. Incorporation made raising capital easier.
   [✓ C.] Incorporation permitted him to escape governmental regulation.
   D. Incorporation assured the company perpetual life.

6. The natural resource base of the Eskimo economy
   [✓ A.] would completely prevent the development of an industrial society.
   B. destines the Eskimos to remain hunters.
   C. provides an adequate basis for a moderately advanced technological society.
   D. prohibits the adoption of a market based economy.

7. Andrew Dennison decided to stop making shoes and start manufacturing jewelry boxes because:
   A. he was tired of making shoes.
   [✓ B.] demand for shoes had dropped, making his business less profitable.
   C. he could employ more people in the jewelry box business.
   D. his son was experienced in the jewelry box making business.

8. The limited technological development of the Alaskan Eskimos indicates that
   A. Eskimos do not have the type of mental capacity needed to develop a complex economy.
   B. Eskimos would be unhappy living in an industrialized economy.
   C. Eskimos are less ambitious than people living in milder climates.
   *D. Eskimos have had relatively few resources available to them.

9. In answering the question, "For whom did the Dennison Company produce?" that is, "Who benefited as a result of their production?" which of the following groups should be included?
   1. Dennison Company workers
   2. Dennison Company owners
   3. the government
   4. Dennison Company customers

   A. 1, 2, 3   B. 1, 2, 4   C. 1, 2   *D. 1, 2, 3, 4

10. Adam Smith stated that man's economic needs could be best served by following the dictates of
   *A. the market.
   B. the government.
   C. tradition.
   D. the political party of your choice.

Lesson Plan: Reading 11

Subject Objective: To know:

1. that the problems faced by an individual setting up a business of any kind or size can be grouped into problems concerning what to produce, how to produce it, and for whom.
2. that individual business operations within a society reflect the economic structure of the society in their answers to the basic economic questions.

Skill Objective:

1. Organizing and utilizing known material (Dealing with Specifics, Bloom, 1.20)

Procedures:

1. Have a few students read the large sub-divisions into which they divided their outlines. If anybody divided his outline into "What Goods to Produce?", "How Will They Be Produced?" "For Whom Will They Be Produced?" use this as a starting point. If nobody did, ask whether students see any natural economic decisions into which problems mentioned might fall. If nobody makes the connection, refer back to readings about the Dennison Company and ask what the basic questions were that the Dennison Company had to answer in establishing and operating their business.

2. Put on board or overhead three column headings:
   What to Produce How to Produce For Whom to Produce

3. Have students go through their outlines and suggest under which of the three headings each of the problems they had anticipated on their outlines might be placed. For example:

   What to Produce
   Product - lemonade? what kind?
   Service? - self-service? paper cups? plastic? glasses? individual ice cubes?
   Quantity? how much will market support?
   Price? how much will market bear? Bring out how, in market economy, price determines what each entrepreneur will produce.

   How to Produce
   Mass production? - daily production or weekly production?
   Automation? - does potential market justify purchase of electric squeezer?
   Specialization - should brother do everything, or should he team up with friend so one could sell and one produce?

   For Whom to Produce
   Problems of single proprietorship - should brother go into business by himself? advantages disadvantages
   Problems of partnership
   Problems of incorporation
   Should he hire help?
   Are there any government taxes on the type of operation being considered?

4. For tomorrow, write the paper you outlined for today. You may amend your outlines if you wish.

Answering the basic Economic Questions

What to Produce	How to Produce	For Whom to Produce

Lesson Plan: Reading 12

Subject Objectives: To know:

1. that individuals setting up businesses must cope with problems concerning what to produce, how to produce it and for whom.

2. that individual businesses operating within a society reflect the economic structure of that society.

Skill Objective:

1. Developing criteria for evaluating a written paper (Bloom 1.24, Knowledge of criteria)

Procedures:

1. Have as many students as time permits read the papers they wrote last night. After each paper is read, have the class evaluate the paper. An attempt should be made to establish a set of criteria for evaluating these papers. These criteria should be listed as they are brought out and should include the following:
    1. Did he clearly indicate to council members the economic choice confronting them?
    2. Did he clarify the alternative solutions?
    3. Did he indicate the consequence of accepting each solution?
    4. Did he present his own choice convincingly?
    5. Did he use a graph or chart effectively?
    6. Was his material well organized?
    7. Did he speak distinctly?
2. After each paper is evaluated, a question should be asked concerning how the particular business described in the paper just presented reflects the society in which this business is going to operate.

3. At the end of the period put transparency on the overhead, listing criteria for evaluating written presentation to reinforce points brought out during discussion.

Criteria for Evaluating Oral Presentation of City Treasurer

1. Did he clearly indicate to council members the economic choice confronting them?

2. Did he clarify the alternative solutions?

3. Did he indicate the consequence of accepting each solution?

4. Did he present his own choice convincingly?

5. Did he use a graph or chart effectively?

6. Was his material well organized?

7. Did he speak distinctly?

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT

Third Assignment:

Within your committees discuss economic activities you might engage in as a class. In your discussion, be sure to include a discussion of possible objectives in engaging in such an activity; a discussion of types of activities that might realistically be engaged in;. consequences of undertaking each activity; and a decision concerning whether or not engaging in a particular activity, or any activity seems wise.

At the discretion of the teacher, if the objective is sound, the class might be encouraged, on their own time to follow through on some of the decisions.

Problem:

Decide whether or not you think it would be economically sound for your class to undertake a noney-raising project. Give reasons for your decision. If the decision of the group is that it should be considered, decide which of the activities discussed by your committee you think most desirable. Give the reasons for your choice.

Subject Objective: To know

1. The influence of price on what will be produced, how it will be produced and for whom it will be produced in the market economy.

Skill Objective:

1. Interpretation (Bloom 2.20)

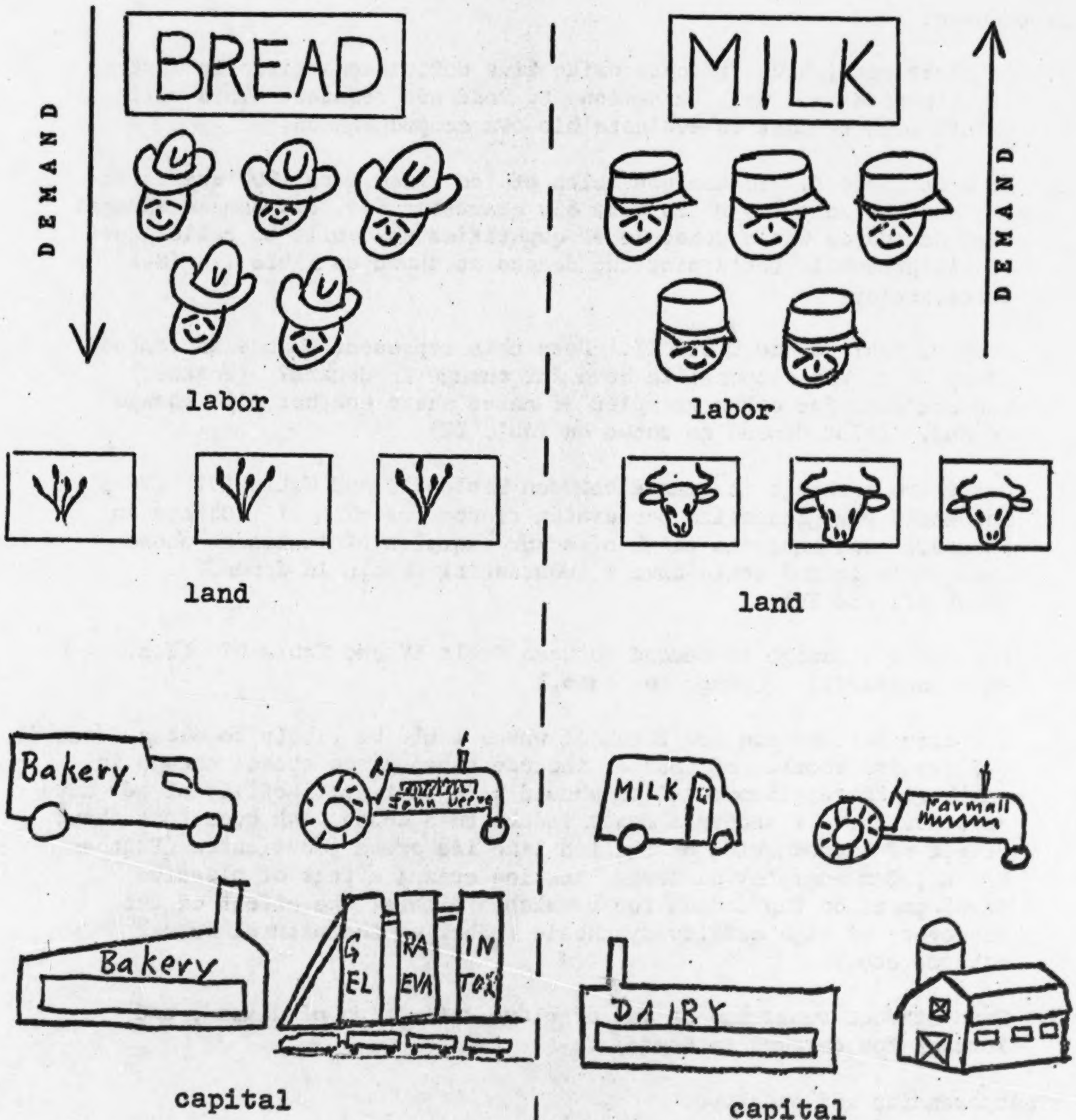
Procedures:

1. Slide-tape adaptation of lecture by Dr. John R. Coleman taken from television series, "The American Economy." Can be used as stimulus for classroom discussion.
2. Students might be asked to consider the following three questions as the tape is played:
    A. How does price affect what will be produced?
    B. How does price affect how it will be produced?
    C. How does price affect for whom it will be produced?
3. After the students have heard the tape, these questions may also be used as the basis of classroom discussion.

Handout for Reading 13

HOW DOES PROFIT MOTIVE AFFECT

1. What?
2. How?
3. For Whom?


BREAD
DEMAND
labor
land
Bakery
John Deere
Bakery
GRAIN ELEVATOR
capital
MILK
DEMAND
labor
land
MILK
Farmall
DAIRY
capital

Subject Objectives: To know:

1. The meaning of the term demand.
2. Determinants of change in demand.

Skill Objective:

1. Comprehension of basic economic terms

Procedures:

1. As short quiz, have students write five definitions given in last night's reading. Call on someone to read his version. This will permit each student to evaluate his own comprehension.

2. Look at Table I. If one day sales of ice cream were 1000 quarts at 55¢ and the next day sales were 850 quarts at 60¢, did demand change? (No, demand is whole schedule of quantities that will be called for at all prices.) Let's plot the demand as shown on Table I. (See transparency)

3. Compare Table I and Table II. Does this represent change in demand? (Yes) What was responsible here for change in demand? (Weather) Ask students for other examples of cases where weather will change demand. (Plot demand as shown on Table II)

4. Was there a change in demand between Table III and Table IV? (Yes) How would you generalize concerning reason for change? (Change in income.) Can students think of other examples of instances where changes in income would have a substantial change in demand? (Plot III and IV)

5. Was there a change in demand between Table IV and Table V? (Yes) What caused it? (Change in taste.)

6. How many factors can you think of which would be likely to change demand? (Discussion should, of course, include those given above: change in weather, taste, income. Also should bring out availability of adequate substitutes. If students don't induce this cause, ask questions about effect of introduction of custard-like ice cream substitutes (Tastee-Freeze, for example) on demand for ice cream; effect of plastics development on the demand for breakable dishes; the effect of the discovery of high quality synthetic rubber on the natural rubber market, etc.)

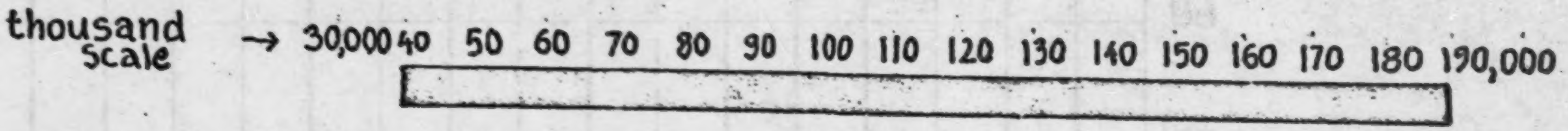
7. Have student summarize at end of class definition of demand, and reasons for changes in demand.

Transparencies and overlays.

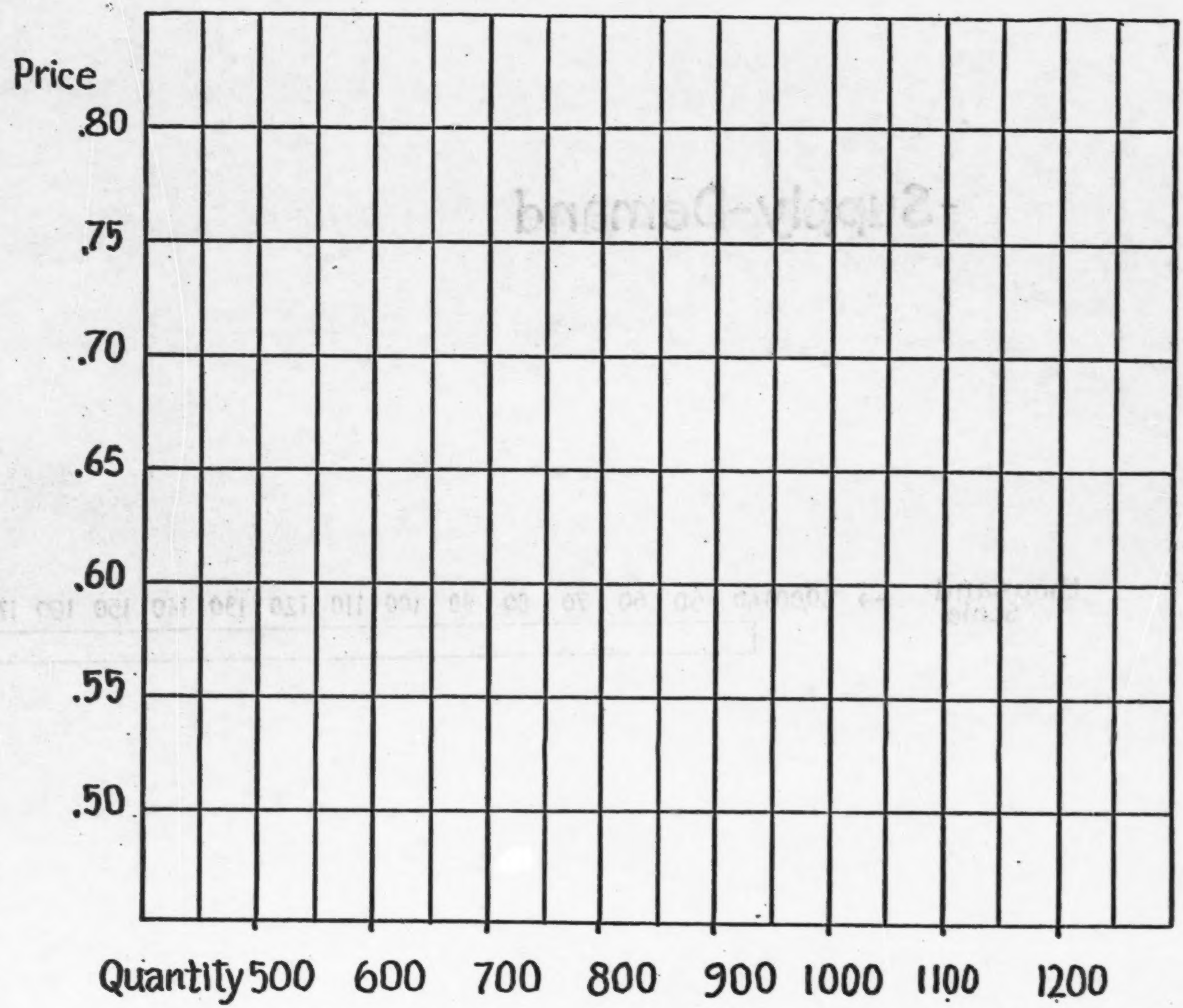
14+15

14+16

-Supply-Demand


thousand
Scale
→ 30,000
40
50
60
70
80
90
100
110
120
130
140
150
160
170
180
190,000

Ice Cream


Price
.80
.75
.70
.65
.60
.55
.50
Quantity
500
600
700
800
900
1000
1100
1200

Subject Objectives: To know:

1. that the term supply refers to a whole schedule of quantities that will be supplied at a variety of prices.

2. that in a market economy supply responds to a change in demand.

3. that the degree of response depends upon the elasticity of supply, that is, the difficulty or ease with which supply can be increased.

Skill Objective:

1. To apply theory.

Procedures:

1. Allow 5 minutes for objective test.

2. Have somebody summarize the case of hula hoop production. Let them open books or turn to notes if necessary. Let's make out a theoretical demand schedule for hula hoops in July, 1958. (Put on board as class develops.) Let's make a corresponding supply schedule for hula hoops in July, 1958. Now let's imagine a demand schedule for hula hoops in November, 1958; a supply schedule for hula hoops November, 1958; a demand schedule for hula hoops in November, 1959, supply schedule, November, 1959. (Plot on transparency)

3. How do you explain the rapidity with which the supply of hula hoops responded to the increase in demand? (Resources were easy to shift from one industry to another because of extreme simplicity of the product and profits were higher for hula hoops than they would be if the same resources were used to manufacture other products.)

4. Now let's turn to the case of the Utrillo paintings. Let's create an imaginary demand schedule for all the Utrillo paintings if they were all put on the market at the time of his death. What about a supply schedule? (Obviously, there is a fixed supply and this point should be made.) Now let's imagine the demand schedule, or the change in demand relative to the first schedule made, which might have existed if the paintings were held off the market for years, and offered at intervals, one painting at a time. Did Madame Utrillo make a wise decision? (She obviously did, as the second approach would, of course, keep the prices up.) Point out that this assumes the taste for Utrillo paintings (demand) will continue long after his death. Contrast it with demand for hula hoops.

5. Could the market for hula hoops have been maintained in the same way, by keeping hula hoops off the market? (Obviously not -- too many producers, too easy to convert from other production to hula hoops, nature of fad -- no demand once fad has passed.)

Transparency and overlay.

Subject Objectives: To know:

1. That the term supply refers to a whole schedule of quantities that will be supplied at a variety of prices.

2. That in a market economy quantity supplied responds to a change in demand.

3. That the degree of response depends upon the elasticity of supply, that is, the difficulty or ease with which supply can be increased.

Skill Objective:

1. to apply theory

Procedures:

1. Allow 5 minutes for objective test.

2. Plot demand on transparency as shown on Table I, Lesson 14. What effect would this have on supply? Plot supply Table I, Lesson 15. Repeat this procedure for Tables II, III and IV for lessons 14 and 15 with appropriate discussion. The entire class period could be devoted to this exercise if the instructor thought it necessary. On the other hand, this exercise could be used in shorter form together with a limited discussion concerning determinants of responsiveness of supply adapted from Lesson Plan A. Or this exercise could be given as part of the homework assignment if the instructor wished to devote the entire class time to Lesson Plan A.

Transparency and overlay.

COMPARATIVE ECONOMIC SYSTEMS

Fourth Objective Quiz
Readings 10-15

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question, choose the best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer to each question. **YOU WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.**

1. The market mechanism is most likely to stimulate competition if all but one of the following conditions have been met:
   A. large number of sellers
   B. identical products
   [✓ C. one seller]
   D. ease of entry for new producers

2. As used in economics, the term "market" refers to
   A. a mechanism for regulating prices.
   B. a mechanism for regulating production.
   C. a mechanism for regulating consumer demand.
   [✓ D. all three.]

3. The ~~demand for ice cream~~ amount of ice cream demanded is usually not influenced by a change in
   A. climate. B. price. [✓ C. government.] D. income.

4. The supply of hula hoops responded rapidly to an increased demand for all but one of the following reasons:
   [✓ A. an economic report forecasting good business conditions for the coming year.]
   B. existing production facilities could be easily converted to make hula hoops.
   C. manufacturers of garden hose could obtain greater profit from manufacture of hula hoops.
   D. small investment needed for manufacture of hula hoops.

5. A demand schedule refers to
   [✓ A. the varying amounts of a particular good that will be purchased at different prices during a specified period of time.]
   B. the quantity of a good that will be demanded at a particular price.
   C. the total quantity of goods that can be sold at all prices at all times.
   D. the time of year when a particular good will be most in demand.

6. The price of lemonade at a prosperous lemonade stand in New York City will be determined by all but one of the following:
   A. the price of orangeade.
   [✓ B. New York City regulations.]
   C. supply of, demand for lemonade.
   D. the price of sugar.

7. **Table I**

The Demand for Ice Cream in Megalopolis on June 21, 1964

Price	No. of quarts that could be sold
$ .90	700
.85	780
.80	820
.75	1000
.70	1300
.65	1800

Table I indicates that

A. On June 21, 1964 the demand for ice cream was 1000 quarts.

B. if 820 quarts of ice cream were sold at 80¢ per quart on June 20, the sale of 1000 quarts at 75¢ per quart on June 21 would represent an increase in demand.

[✓ C.] the sale of 820 quarts of ice cream at 85¢ per quart on June 22 would represent an increase in demand.

D. the sale of 700 quarts at 90¢ per quart on June 22 after selling 1000 quarts at 75¢ per quart on June 21 would represent a decrease in demand.

8. **Table II**

Supply of Ice Cream in Megalopolis on June 21, 1964

Price	No. of quarts of ice cream producers willing to supply
$ .90	2300
.85	1900
.80	1700
.75	1500
.70	1300
.65	1000
.60	820

If 1000 quarts of ice cream were offered for sale at 65¢ on June 20

A. offering 1300 quarts at 70¢ would represent an increase in supply.

[✓ B.] offering 1300 quarts at 65¢ would represent an increase in supply.

C. offering 820 quarts at 60¢ would represent a decrease in supply.

D. 1000 quarts would also be offered at 65¢ on June 21.

9. Question 9 refers to Tables I and II

On June 21, 1964 theoretically the price of ice cream in Megalopolis, U.S.A. should have been:

[✓ A.] 70¢ B. 65¢ C. 75¢ D. 60¢

10. If Megalopolis were located in a command economy the price of ice cream would:

A. still reflect the forces of supply and demand.

B. still reflect changes in weather.

C. still reflect labor unrest, such as strikes.

[✓ D.] still reflect changes in the costs of production.

Subject Objective: To know:
1. the advantages of competition
2. the costs of maintaining competition
3. that the economic environment is not a choice of black or white (monopoly or competition), but a series of greys (countless points along a spectrum).

Skill Objective:
1. Interpretation (Bloom 2.20)

Procedures:

1. This lesson lends itself to student discussion. If your class size is small enough, the ideal situation is, of course, to throw out a leading question such as "Is competition worth the trouble of maintaining it?" and let the students take it from there with no further teacher participation, if possible. If, however, you are handling a class of 30-40 students, discussion among the entire class becomes cumbersome. Under these circumstances you might want to experiment with some technique such as the following:

    a. When the assignment is given you might ask 8-12 of the students to volunteer to prepare to be "discussants" for the next day's class period. Arrange chairs for these students at the front of the class facing the rest of the class. Depending upon the responsiveness of your particular class, their initiative in stimulating discussion, the amount of flexibility or control you consider desirable, this format may be adapted to your particular needs in various ways, for example:

        1) Group may be permitted to discuss freely without any designated control
        2) The teacher may choose to act as moderator for the group
        3) The teacher or students may elect to choose a moderator from the student group
        4) Group may be told to do reading as usual, given no further instructions, and just told to start discussing when they come in for the class period
        5) Discussant group may be given a few questions to keep in mind while preparing suggested themes around which discussion might center
        6) Discussants might do reading without aid of additional questions, but one or two leading questions may be put on board facing discussants to keep them focused on main point of reading
        7) Non-discussants could be involved by putting leading questions on board behind discussants, but facing non-discussants and allow 10 or 15 minutes at end of class for non-discussants to discuss how well discussants did in clarifying the questions asked.
        8) Non-discussants might be more directly involved by passing out to them paper with questions suggested to discussants for emphasis, telling them to take notes on when points are made that were particularly valuable in reaching consensus

or solutions, when the discussants strayed from the topic, etc. Again, time should be left at end of period to permit non-discussants to discuss discussants.

9) Non-discussants might be told that while they are not permitted to enter into discussion, if points come to mind as discussion progresses, they may jot them down and will be given an opportunity at the end of the class to make these points.

10) Discussants may be allowed 10 or 12 minutes for uninterrupted, undirected discussion. Non-discussants may be told in advance to take notes and at the end of that time they will be allowed to question or refute any statement made by discussants. After 5 or 10 minutes of being quizzed in this fashion, discussants may be allowed to conclude their discussion, with or without another questioning session at the end.

There are, of course, many more variations. We shall be most interested in learning:

(1) how you chose to teach this lesson;
(2) in what ways it succeeded;
(3) where it fell short of expectation.

INDEPENDENT DECISION MAKING ASSIGNMENT IV

(to follow Reading 16)

Your problem today is to reach agreement within your group on what you consider the best possible way of minimizing the costs of maintaining competition without detracting from the advantages of competition. To prepare yourselves for making this decision, you should

(1) list all the advantages you can think of resulting from maintaining a free competitive system;

(2) list the costs of maintaining a competitive system.

On your decision forms record your decision on how best to minimize the costs of maintaining competition and your reasons for making the particular decision you did.

NOTE: Lesson Plan for Reading XVII does not apply to the Reading which was revised and no lesson plan prepared.

Subject Objective: To know that

1. market conditions sustaining pure competition are extremely difficult to maintain
2. although the agricultural industry would appear to have most of the factors necessary to establish and maintain a pure competitive market, circumstances developed so that the United States felt forced to intervene in the industry in order to prevent widespread distress.

Skill Objective:

1. Production of a unique communication (Bloom 5.10)

Procedures:

1. Show agriculture film slide-tape (about 12 minutes)
2. After tape has been shown ask students to write concise statements of the "farm problem" as it might be seen by
    a. a midwestern farmer
    b. a sharecropper
    c. an urban dweller
    d. a Senator from Pennsylvania
3. If there is any time left at the end of the period, you might want to have some of these statements read and discussed.

AGRICULTURAL PROBLEM - Slide Tape Presentation for Reading 17

As music starts on tape, slide no. 1 should be shown. First 11 slides should be shown at even 10-second intervals. Change in slides from idyllic farm pictures to poverty scenes should occur simultaneously with change in music. Slide no. 12 should be shown when the script begins.)

12 In a world where millions of people are starving, the United States spends millions of dollars to store unused food. In a country where the successful farmer is wealthier than ever, ⑬ thousands of marginal farms are being abandoned every year. In states where ⑭ migrant workers go hungry, gentlemen farmers are being paid not to grow food. This is the farm problem. This is the paradox of the American agricultural industry. (Music. Change slide when script starts again.)

15 To understand the background of the farm problem, we must remember that Colonial America was largely developed by settlers who worked the land. Thomas Jefferson proclaimed the agricultural society as the highest form of democracy in action. ⑯ As the settlers pushed westward and struggled to cultivate this virgin territory the American image of the hard-working, persevering, independent farmer became firmly entrenched. ⑰ Farming became a way of life closely identified with many of the most cherished American ideals and traditions. What happened to this dream?

18 Had you visited an early American farm you would have found farmers plowing without plows, breaking the ground with hoes. ⑲ Most tasks were done by hand -- using shovels, sickels and scythes. (Music. Change slide when script begins.)

20 In 1793 Eli Whitney invented the cotton gin, one of the first farm machines. 21 In 1797 a cast-iron plow was patented. ㉒ During the next hundred years a dozen more new machines appeared, the most significant being McCormick's mechanical reaper. These machines saved time and work and increased production.

㉓ At the beginning of the 20th century, the gasoline-driven tractor was developed and the revolution in farm power was at hand. ㉔ Today the American farmer uses many types of farm machines and new ones are being invented all the time.

㉕ On some large farms, the owner operated a mechanized industry. Planters, balers, combines, seeders, thinners, pickers have all become necessary equipment for the large-scale farmer. This mechanization of farm labor together with a revolution in farm ㉖ chemistry that occurred at the same time has made it possible for the American farmer to spend less time working his land while producing bigger and bigger crops.

㉗ During World War I, the farmer operating under competitive market conditions, reached new peaks of prosperity. ㉘ The downward spiral started in the 1920s as farm production increased rapidly while the demand for farm products lagged behind. Farm distress deepened with the Depression. ㉙ Natural catastrophes such as dust storms and tornadoes compounded the overwhelming problems by which the marginal American farmer was already being submerged. ㉚ Faced with mass foreclosures, farmers, traditionally dedicated to an image of independence, turned to government aids for survival. The first Agricultural Adjustment Act was passed by Congress in 1933. It offered payments to farmers who cut production of surplus crops. (Music, change slide as next sentence begins.) ㉛ As a shocked nation watched, farmers plowed under millions of acres of growing cotton and killed thousands of pigs to keep them from being marketed. Under the New Deal, Congress passed laws permitting the government to buy surplus foods that customers would not take ㉜ off the market at artificially high prices set by the government.

The farm problem vanished during World War II, but when the war ended farmers were left with the same fundamental problem. ㉝ They were growing more food than people would buy at a price that would allow farmers to improve their standard of living as rapidly as other Americans. ㉞ The government was again faced with the necessity of buying up huge quantities of food in order to keep farm prices higher than they would have been in the absence of this buying. ㉟ But one year of plenty was followed by another, and soon there were huge reserves in all major cash crops. ㊱ In the midst of this surplus, new land was being cultivated; government aid against erosion reclaimed old land; ㊲ farm machinery and fertilizers became more efficient; specially treated seeds grew hardier crops; and ㊳ productivity rose to new heights. As productivity went up, the number of farm workers needed went down.

㊴ For the large-scale efficient farmer, the government supported prices proved a blessing; they grew large amounts and were guaranteed good prices for all they grew. And if they were paid to take some acres out of production, they poured more resources into the remaining acres. By mechanizing, by fertilizing, by improving, these farmers realized greater and greater profits. (Music. Change slide when next sentence begins.)

㊵ But for the marginal farmer, neither government intervention nor new technology offered much help. Those who have chosen to remain on their farms barely grow enough to feed themselves and their families. They have little to sell and no cash reserves with which to mechanize or expand. Many farmers have moved to the cities and found jobs, ㊶ but some have found no work of any kind. Their skills are limited or not suited to industry. These men swell the already large ranks of the unemployed.

㊷ Nearly a million other persons have become migratory farm workers. They wander from place to place, following the harvests. Their work is irregular, their wages low. And, worse, their children get little education, so they too may be condemned to a struggle for existence. (Pause. Change slide as next sentence begins.)

Must we reconcile ourselves to such extremes -- ㊸ surplus in the midst of need; prosperity for many, ㊹ and severe poverty for others? ㊺ Is there no solution? What can be done?

COMPARATIVE ECONOMIC SYSTEMS Reading 17

GENERAL PICTURE DESCRIPTION FOR SLIDE TAPE: AGRICULTURE

The pictures for this slide tape are grouped as follows:

1. Idyllic Farm Scenes (1-6, 15-17, 45)	Portraying farm life as happy, successful, individualistic. Paintings of the Grandma Moses type are one example.
2. Farm Poverty Scenes (7-14, 40-42, 44)	Portraying scenes such as the Dust Bowl, abandoned farms, farmers and their families living in abject poverty.
3. Mechanized Agriculture (24-26, 29-30, 37-38)	Portraying all kinds of modern agricultural machinery, large-scale farming as big business, canning, shipping to market, efficient methods.
4. Farm Prosperity Scenes (27-28, 31-36, 39, 43)	Portraying large tracts of land under cultivation, vast stockpiles of wheat, corn, and other harvested foods, harvesting operations, scientific agriculture.
5. Early Farm Methods (18-19)	Portraying individuals using hand methods in various farming activities: hoeing, scything, plowing with horses, haystacking, etc.
6. Early Mechanized Agriculture (20-23)	Portraying models, plans, blueprints, of early tractors, reapers, balers, pickers, etc.

Lesson Plan, Reading 18

Subject Objective: To know

1. that suggested solutions to the agricultural problem are economically complex

Skill Objective:

1. Interpretation of history in terms of economic consequences (Bloom, extrapolation, 2.30)

Procedures:

1. Consideration of each problem in terms of the two thought questions preceding the problems (1. What factors, ordinarily stimulating to competition, failed to operate in each situation? Why? 2. What factors worked against the maintenance of a free competitive market within the agricultural industry?) should prove ample stimulus for a thought provoking class period.

Subject Objective: To know that

1. It would be economically unsound for certain industries to operate within a purely competitive market structure.

2. While oligopolies can exercise control over price variations, they are not completely free of the forces of supply and demand.

3. Firms in an oligopoly must be acutely aware of one another's actions; the impersonality of the perfectly competitive market (where one farmer doesn't care much what another one does) is replaced by deep interdependence.

4. Pricing in an oligopolistic situation is a combination of responses to supply and demand, price leadership of a few key firms, public opinion, and perhaps government power too.

Skill Objective:

1. Extrapolating implications from current periodicals (Bloom 2.30)

Procedures:

1. The instructor might well spend a few minutes at the beginning of the period discussing the source of today's reading from FORTUNE Magazine, a magazine geared to the interest of the corporation executive. The point to be made, of course, is that this is not a magazine likely to be hostile to the steel industry. Whenever possible, the instructor should lead the student towards a critical analysis of his sources of information.

2. If the government were to adopt a hands-off policy towards oligopolistic industries such as the steel industry, would monopoly necessarily result? (The largest, strongest firms might force all others out of business; but, so long as there is any reasonable chance of other firms entering the industry when profits are high, there is a restraint on the emergence of full monopoly power.)

3. What factors work against competition in the steel industry? (Discussion should bring out difficulties of entering such a business, in terms of: size of plants needed, investment in research, establishment of market outlets, development of a large managerial team, etc.)

4. When steel prices are set, is supply and demand completely ignored? (Obviously not, as demand would drop off at unreasonable prices so that attempts are always made to maintain prices at that level most favorable to productive capacity.) At this point, you might want to ask a few of the students to read the answers they wrote to thought question #2 last night and use these as your starting point for a discussion around this topic.

5. What factors, other than supply and demand, were the steel companies considering when prices were being established during the crisis of 1962?
   (Discussion should include not only the fact that supply and demand were being considered to the extent that steel executives were attempting to estimate the market and set prices at that point which they could sell amounts equal to their available productive capacities, but also the forces of competition between companies in the steel industry, the force of public opinion to which the government responds, and the direct force of government control itself.)

6. The class might conclude with a discussion of the problems of living with oligopoly in a complex, free society. Assume that technology and markets dictate that there shall be oligopolies in many of our key industries. How can the public protect itself against possible abuses by the oligopolists, when the impersonal forces of the market cannot be relied upon? And how can this protection be achieved without increasing government power so much in the process that the new issue becomes, "How can the public protect itself against the government?"?

7. You may find the class time too short to make all four of the points suggested in today's lesson plan. If this is the case, any one of the points could be selected as the focal point of the reading and expanded. 1, 2 or 4 lend themselves particularly well to student discussion.

Subject Objective: To know that

1. There are limits beyond which the control of competition in the U.S. becomes illegal
2. These limits are not always easy to define.

Skill Objectives:

1. Interpreting the intent of the Sherman Anti-Trust Act (Bloom 2.20 Interpretation)

Procedures:

1. Allow first five minutes of period for objective test.

2. Class handout - permit no more than five minutes to read.

3. Discuss the difference between price leadership, as discussed in yesterday's reading, and price fixing or market-dividing. (Have the students attempt to define the point at which control of competition becomes restraint of trade. The purpose of the discussion is, of course, to demonstrate the fine line that separates cooperation from collusion.)

4. Why were the electric companies drawn into the practice of collusion? (Try to bring out through class discussion the difficulties of performing satisfactorily under competition. To those who participated in the collusion, this must have seemed an easier way to sell products than to get out and compete on prices, service, etc. That is, collusion must have seemed to make life easier -- so long as one trusts one's fellow colluders.)

5. In reading provisions of the Sherman Anti-Trust Act in class today, did you find any statement that described the actions of the G.E. executives as illegal? Do you think these business executives saw themselves as "criminals"? (Use this discussion to bring out the following facts: (1) interpretations of laws are not always clearcut; (2) frequently Supreme Court Justices themselves disagree on what is and what is not meant by a law; (3) Supreme Court interpretations change in response to changes in the climate of opinion; and (4) business executives are caught in the dilemma of wanting to do a successful job for their companies and not always being able to achieve this while staying within the law.)

If time permits,

6. This period could be concluded with an open-end discussion of how far government should go in seeing that no collusion takes place among firms.

Class Handout to Accompany Reading XX

Congressional power to enact laws regulating American business stems mainly from a brief clause in Article I, section 8 of the Constitution. Under it, Congress is given authority "to regulate Commerce with foreign Nations, and among the several states, and with the Indian tribes." During the early years of American history, this power remained largely dormant, but in the late 19th century growth of monopolistic practices began to threaten American society sufficiently to stimulate passage of federal laws controlling certain business practices. The Interstate Commerce Act of 1887 and the Sherman Anti-Trust Act of 1890 were pioneer regulatory laws.

The Sherman Anti-Trust Act has since become the basis of many Supreme Court decisions concerning what is legal and what is illegal restraint of trade.

Following are some excerpts from the text of the Sherman Act. Read these carefully. As you read, consider whether the General Electric executives you read about last night could have thought they were acting within the law when they engaged in the price-fixing practices described. Also consider the basis upon which the Supreme Court Justices interpreted this law to define these practices as illegal.

THE TEXT OF THE SHERMAN ACT

An Act to protect trade and commerce against unlawful restraints and monopolies.

Sec. 1. Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several states, or with foreign nations, is hereby declared to be illegal. Every person who shall make any such contract or engage in any such combination or conspiracy shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court.

Sec. 2. Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor, and, on conviction thereof, shall be punished by fine not exceeding five thousand dollars, or by imprisonment not exceeding one year, or by both said punishments, in the discretion of the court. ...

Sec. 8. That the word "person," or "persons," wherever used in this act, shall be deemed to include corporations and associations existing under or authorized by the laws of either the United States, the laws of any of the Territories, the laws of any State, or the laws of any foreign country.

(follows Lesson XX)

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT V

Have class read "Is the 'Invisible Hand' Losing Its Grip?" by Herbert Fergus Thomson, Jr.

When they have finished reading, committees should meet to discuss and reach group consensus on the following problem.

> According to Herbert Fergus Thomson, Jr., "The most important economic problem facing the United States in the next two decades is that of preserving the advantages of the free enterprise system at a time when it will have to be abandoned in many areas of industrial life." How do you, as a committee, think this can best be done?

In discussing this problem, committee should consider

1. Advantages of the free enterprise system.
2. Why it is being abandoned in many areas of American life despite its advantages.
3. Alternatives to abandonment.
4. Consequences of adopting alternatives.
5. Which alternative seems to offer the most desirable solution to the problem?

Handout with Ind. Anal. Period Assign. V

Herbert Fergus Thomson, Jr., "Is the 'Invisible Hand' Losing Its Grip?," in PROBLEMS OF UNITED STATES ECONOMIC DEVELOPMENT (New York, Committee for Economic Development: 1958), II.

Article states that though most Americans believe that "free enterprise" works to the maximum welfare of the entire community, several conditions which Adam Smith postulated for the success of a free enterprise system seem to have been receding from the American scene. Projects such as earth satellites, atomic power projects, etc. for which no private market exists are not suitable for free enterprise. Excess capacity demands in war time also crdate need for government intervention into business. Monopolies not only exist in the American economy, but receive full support of political leaders. Laws to redistribute income also tend to undermine the profit motive (income tax).

NOTE: Questions 1-5 on Fourth Objective Quiz are the same as Questions 1-5 on Fifth Objective Quiz.

Never was changed.

COOPERATIVE ECONOMIC PROBLEMS
Fifth Objective Quiz
Readings 15-20

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question choose one best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer for each question. THERE WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.

1. The market mechanism operates most effectively if all but one of the following conditions are present:
A. [illegible]
B. [illegible]
C. identical products
D. ease of entry for new producers

2. In a free market, the term "market" refers to
A. [illegible]
B. [illegible] will be produced.
C. [illegible] demands.
D. all three.

3. The problem of [illegible] exists
A. only in the least developed economies
B. in all economies at all times
C. during depressions only
D. for the low income families only

4. The demand schedule for ice cream will ordinarily be shifted by all the following changes except
A. a change in the climate
B. an increase in the price of ice cream
C. fear of a fever epidemic associated with milk products
D. a rise in consumer incomes

5. The supply of hula hoops increased rapidly when increased demand for all but one of the following reasons
A. [illegible] conditions for the [illegible]
B. existing production facilities could be easily converted to make hula hoops.
C. manufacturers of [illegible] hoped to obtain a greater profit from manufacture of hula hoops.
D. small investment needed for manufacture of hula hoops

6. Reasonable competition
A. is uniformly [illegible] by all [illegible]
B. is competition reflecting the [illegible] of the individual defining what is reasonable
C. is competition carried on in a gentlemanly fashion.
D. is competition limited to local firms.

5

COMPARATIVE ECONOMIC SYSTEMS

Fifth Objective Quiz
Readings 16-20

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question, choose the best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer to each question. YOU WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.

1. The market mechanism operates most competitively if all but one of the following conditions have been met:
A. large number of sellers   *C. one seller
B. identical products   D. ease of entry for new producers

2. As used in economics, the term "market" refers to
A. a mechanism for determining prices.
B. a mechanism for determining quantities that will be produced.
C. a mechanism for expressing consumer demands.
*D. all three.

3. The problem of relative scarcity exists
A. only in the least developed economies.
*B. in all economies at all times.
C. during depressions only.
D. for the low income families only.

4. The demand schedule for ice cream will ordinarily be shifted by all the following changes except:
A. a change in the climate   C. fear of a fever epidemic associated with milk products
*B. an increase in the price of ice cream   D. a fall in consumer incomes

5. The supply of hula hoops responded rapidly to an increased demand for all but one of the following reasons
*A. an economic report forecasting good business conditions for the coming year
B. existing production facilities could be easily converted to make hula hoops
C. manufacturers of garden hose could obtain greater profit from manufacture of hula hoops
D. small investment needed for manufacture of hula hoops

6. Reasonable competition
A. is uniformly defined by all Americans.
*B. is competition reflecting the objectives of the individual defining what is reasonable.
C. is competition carried on in a gentlemanly fashion.
D. is competition limited to local firms.

Subject Objectives: To know that

1. in a market economy the pricing mechanism works as a rationing device determining who will and who will not share in the goods produced.

2. even in a market economy the price set by the forces of supply and demand does not always establish a desirable method for rationing goods and services.

3. it sometimes becomes desirable, even in a market economy, to adopt methods of rationing other than those established by the price resulting from the competitive forces of a free market.

Skill Objective:

1. Determining consequences of conditions described (Bloom 2:30 Extrapolation)

Procedures:

1. The structure of the reading itself outlines procedures for teaching this lesson. The possible consequences of each situation described may be discussed. The points to be made in each case are obvious.

2. When all situations described have been discussed, students might be given an opportunity to suggest similar situations they have thought of, where rationing was not left to the dictates of the market.

3. The last five minutes of class time could be spent attempting to draw from the students generalizations concerning circumstances under which the market mechanism is a good device for rationing; circumstances under which it is a poor device.

7. Prices of farm products today are determined
   A. exclusively by free markets.
   B. exclusively by the government.
   *C. by a combination of market forces and government control.
   D. by tradition.

8. A demand schedule refers to
   *A. the varying amounts of a particular good that will be purchased at different prices during a specified period of time.
   B. the quantity of a good that will be demanded at a particular price.
   C. the total quantity of goods that can be sold at all prices at all times.
   D. the time of year when a particular good will be most in demand.

9. The basic problem facing American agriculture is
   A. how to produce more on less acreage.
   *B. how to cope with poverty and surpluses simultaneously.
   C. how to prevent farms from mechanizing and growing big.
   D. how to avoid government control.

10. Pricing policies of firms in an oligopoly reflect all of the following EXCEPT:
    A. it would be economically unsound for certain industries to operate within a purely competitive market structure.
    *B. there are limits beyond which the control of competition in the U.S. becomes illegal.
    C. firms in an oligopoly are deeply interdependent.
    D. oligopolies are not completely free of the forces of supply and demand.

Subject Objective: To know

1. That while there has been a shift in our economy towards the acceptance of new responsibilities for government, this has been a development resulting from growth and change rather than "abandonment" of Adam Smith's policy of laissez-faire.

Skill Objective:

1. Interpretation (Bloom 2.20)

Procedures:

1. Have class develop through discussion a list of advantages and disadvantages of economy in which government plays minimum role, e.g., role played by American government in 19th century economy. Follow this up with development of list of advantages and disadvantages of economy in which government has accepted greater responsibilities, such as role played by American government by mid-twentieth century.
2. Keeping these lists in mind, have students write a three- or four-sentence paragraph answering the question: "How well could the pure market system described by Adam Smith meet present American economic problems?"
3. Have some of these paragraphs read as stimulus for discussion for the remainder of the period. Discussion should be used to bring out the fact that the government's acceptance of more and more economic responsibility reflects growth and change within the American economy rather than a deliberate decision to abandon the policies of Adam Smith.

ESSAY EXAMINATION TOMORROW.

Teacher Instruction for Independent Analysis Assignment to Follow Essay Test Given on Day 29 (Day following assignment of Reading 22).

On the day after the Essay Examination covering Readings 13-20 is given, the following exercise in independent analysis is suggested as a possible technique for developing student skills in analyzing their own writing weaknesses.

At the beginning of the period you might pass out the essay question again and discuss what must be included to answer the questions asked. You might note on the board the items included in the question, such as:

A. Discuss rapid economic growth.

B. To be shared by all.

C. Economy presently traditional.

D. Per cent per capita income - $60 per year.

E. Strengths and problems in correcting to Market System.

Might take a few minutes to discuss which of these items defines what is being asked for in the student essays and which are merely necessary background material.

Problem can be boiled down to writing essay on Strengths and Problems in converting from Traditional Economy to Market Economy.

Once the student has identified what the essay is asking for, you can then confront him with the question, "If it were your responsibility to grade these essays, what criteria would you establish to help you evaluate their worth?" If the students do not immediately see the point, you might start them off by suggesting one or two such as:

A. Does the essay answer the question asked?

B. Does the student state his point of view clearly?

C. Does he develop his assignments in a logical and sequential fashion?

D. Does he support his point of view with concrete and specific evidence?

E. Does the specific evidence used clearly relate to the point being made, etc.?

Once the students have agreed upon a set of criteria that they consider reasonable for evaluating this test, have them regroup into their normal independent activity groups. If it is possible, it would probably be most helpful if you could have prepared for committee use a dittoed sheet reproducing (without names) three or four of the essays written by your own class. These essays should include examples of what you consider both good and bad answers to the question asked, but do not indicate how you would evaluate each essay. The committees should then evaluate each essay giving them ratings of (1) excellent, (2) good, (3) fair, (4) poor, for each of the criteria adopted. When they have rated them on the basis of each criteria, they should then assign an A, B, C, D, or E grade to each essay.

When the committees have reached consensus and assigned a grade to each of the dittoed essays, give each student his own essay written yesterday, ask him to read it carefully, evaluate it on the basis of the same criteria, and assign it a grade. It is optional what you do with the grade or what you tell the student you are going to do with the grade. It is probably important to indicate that you have either already read their papers and recorded their grades or that you will read them and not be influenced by their grades to achieve some objectivity in looking at their own work that could be so helpful in correcting weaknesses.

COMPARATIVE ECONOMIC SYSTEMS

Essay Examination
(Readings 13-20)

This examination will require 30 minutes. Follow the directions carefully. Spend at least five minutes planning your essay before you begin to write. Spend another five minutes outlining before you write your final answer.

DO NOT WRITE ON THIS EXAMINATION PAPER.

The government of Newzonia, a newly independent nation in Africa, is interested in promoting rapid economic growth that may be shared by all its people. Per capita incomes are now about the equivalent of $60 per year (as contrasted with approximately $2500 per year in the USA). The government is considering different ways of organizing economic activity in the economy, which has long been marked by traditional ways of doing things. Representatives of the government have asked you to write them an essay in which you assess the major strengths and major problems that would arise if they tried to organize the society along the lines of a pure market economy.

For the next five days class time will be spent playing the economic game. The students, however, are responsible for readings 23-27 which should be assigned as homework during these five days.

Lesson 28 will call for background knowledge to be gained from these readings.

Subject Objectives: to illustrate
1. Problems of decision making
2. Intricacies of planning an economy

Skill Objective:
1. Application (Bloom 3.00)

Procedures:

1. Much has been written both for and against the use of games as a classroom tool. This game is included at this point not because we are convinced that this is the best way to teach the problems of planning an economy, but because we would like to attempt to evaluate the strengths and weaknesses of teaching an economic concept in this fashion. You might well decide at the end of this unit, that to your mind there are better ways of teaching, on the other hand you might find great value in this different use of classroom time. A third possibility is that you might decide that while games can stimulate learning, this particular game does not - or you might see ways in which this game might be changed to better stimulate learning. Whatever your reactions, we appreciate your willingness to search with us for new ways to stimulate learning. Please help us learn from your experience by noting your reactions at the end of this unit.

   A few suggestions and warnings:

   A. All computations should be made in the units exactly as given in Section B of the instructions. DO NOT CONVERT TO MILLIONS, BILLIONS, ETC.

   B. You might prefer giving out the planning forms in advance and have the students do all planning up to the point where forms are deposited at the World Bank at home. This would release class time for discussion of points brought out as a result of game play. Such points might include:

      1. Problems of decision making
      2. Intricacies of planning an economy
      3. Factors affecting a nation's economy that are beyond its control
      4. Interdependence of economies
      5. Mutual advantage of compromise between nations
      6. Price of compromise
      7. Choice involved in planning - need to sacrifice in one sector of economy if emphasis put on growth of other sector
      8. Different means of attaining similar objectives
      9. Advantages and disadvantages of collective action

Many other economic concepts worth stressing might well evolve during game play. If they do, please let us know about them.

PLANNED ECONOMICS A CLASSROOM GAME

PLANNING FORM

Year 1 2 3 4 5

Name of Country______________________________ **Assigned Number**__________

Bloc________________

ECONOMIC STATUS AT BEGINNING OF CURRENT YEAR

1. **Standard of Living**______________________________(Table II)
2. **Production Level**______________________

   Capital Goods Inventory (Table IV) divided by Population (Table V)
3. **Military Capability**____________________________(Table III)

INVENTORY AT BEGINNING OF CURRENT YEAR

4. **Capital Goods**________________(Table IV)
5. **Military Goods**________________(Same as item 3)

RESOURCES FOR ALLOCATION DURING CURRENT YEAR

6. **Population (total Amount of Human Resources Available for Allocation)--**

   ________________(Table V)
7. **Capital Resources** ________________(Same as item 4)

RATES OF PRODUCTIVITY

(Rates for each country, identified by number, will be found in Table VI, Section B of Instructions. Rate to be used depends upon amount of human resources allocated to each type of production.)

8. **Rate of Consumer Goods Production**____________________
9. **Rate of Capital Goods Production**____________________
10. **Rate of Military Goods Production**____________________

PROJECTED PRODUCTION FOR CURRENT YEAR

11. Projected Consumer Goods Production ____________

(Capital Resources Allocated to Consumer Goods Production x Rate of Consumer Goods Production = Projected Consumer Goods Production)

12. Projected Capital Goods Production ____________

(Capital Resouces Allocated to Capital Goods Production x Rate of Capital Goods Production = Projected Capital Goods Production)

13. Projected Military Goods Production ____________

(Capital Resources Allocated to Military Goods Production x Rate of Military Goods Production = Projected Military Goods Production)

TRADE AGREEMENTS

(Use separate line for each agreement negotiated)

14.

Country with which Agreement Made	Type and Amount of Product given in Trade	Type and Amount of Product Received in Trade

SUBVERSION

15. Amount of Capital Resources Allocated to Subversion ____________

PRODUCTION FOR CURRENT YEAR IF PLANNING GOES EXACTLY AS PROJECTED

16. Anticipated Consumer Goods Production ____________

(Projected Consumer Goods Production (item 11) ± Consumer Goods Traded)

17. Anticipated Capital Goods Production ____________

(Projected Capital Goods Production (item 12) ± Capital Goods Traded)

18. Anticipated Military Goods Production ____________

(Projected Military Goods Production (item 13) ± Military Goods Traded)

BALANCE SHEET CHECK ON RESOURCES ALLOCATED

19. Human Resources Allocated to:
Consumer Goods Production ______________
Capital Goods Production ______________
Military Goods Production ______________

TOTAL AMOUNT OF HUMAN
RESOURCES ALLOCATED ______________ = ______________ (Population, item 6)

20. Capital Resources Allocated to:
Consumer Goods Production ______________
Capital Goods Production ______________
Military Goods Production ______________
Subversion ______________

TOTAL AMOUNT OF CAPITAL
RESOURCES ALLOCATED ______________ = ______________ (Capital Resources Available for allocation during current year, item 7)

ANTICIPATED ECONOMIC STATUS AT END OF PLANNED YEAR

21. Anticipated Standard of Living

Anticipated Consumer Goods Production (item 16) divided by Population (item 6) = Anticipated Standard of Living

22. Anticipated Production Level

[Capital Goods Inventory (item 4) - 10% annual depreciation + anticipated Capital Goods Production (item 17)] divided by Population (item 6) = Anticipated Production Level.

23. Anticipated Military Capability

Military Inventory (item 5) - 10% annual depreciation + anticipated Military Goods Production (item 18) = Anticipated Military Capability

****

Deposit Planning Form at World Bank -- Take Chance Card

ALL CALCULATIONS BELOW THIS LINE WILL BE MADE BY WORLD BANK TELLERS

ACTUAL PRODUCTION FOR CURRENT YEAR

24. Consumer Goods Production ______________________________

(If Chance Card or Subversion influences this nation's Consumer Goods Production, adjust item 16 accordingly)

25. Capital Goods Production ______________________________

(If Chance Card, Subversion or War Loss influences this nation's Capital Goods Production, adjust item 17 accordingly)

26. Military Goods Production ______________________________

(If Chance Card, Subversion or War Loss influences this nation's Military Goods Production, adjust item 18 accordingly)

ACTUAL ECONOMIC STATUS AT END OF YEAR

27. Standard of Living ________________________

Consumer Goods Production (item 24) divided by Population (item 6)

REVOLT LEVEL: Table VIII, Section B of the Instructions indicates the revolt level for each nation. If this nation's actual standard of living has fallen below the revolt level indicated for it, revise its actual standard of living in accordance with instructions to be found in item 10, Section A of the Instructions. (Internal Revolt).

28. Production Level ____________

(Capital Goods Production (item 25) adjusted for internal revolt if necessary divided by Population (item 6)

29. Military Capability ____________

(Military Goods Production (item 26) + Military Goods Inventory at Beginning of Year (item 5)

END OF YEAR INVENTORY

30. Capital Goods Inventory at end of year ______________

Capital Goods Inventory at beginning of year (item 4) - 10% depreciation + Capital Goods Production (item 25)

31. Military Goods Inventory
(Same as item 29) ______________

RESOURCES AVAILABLE FOR ALLOCATION NEXT YEAR

32. Human Resources (item 6)
(Population remains unchanged throughout game) ______________

33. Capital Resources (in millions of dollars)
(Same as item 30) ______________

DECLARATION OF WAR (Fill out in duplicate)

1. Name of country declaring war (Nation A)____________________

2. Name of country against which war declared (Nation B)____________

3. Bloc to which Nation A belongs______________

4. Bloc to which Nation B belongs______________

5. Military capability of country declaring war__________________

6. Military capability of country against which war declared (to be filled out by Chief World Bank Teller)____________________

****

To be filled in by Chief World Bank Teller at beginning of day after war declared

7.

Countries allied with Nation A	Military Capability of Countries allied with Nation A	Countries Allied with Nation B	Military Capability of Countries allied with Nation B

Total Military Capability of Alliance A__________________

Total Military Capability of Alliance B__________________

SUBVERSION REPORT (Fill out in duplicate)

1. Country subverting ____________________

2. Amount of Capital Resources allocated to subversion ____________

3. Nation being subverted ____________________

4. Sector of that nation's economy being subverted (check one)

Consumer Goods Production ______
Capital Goods Production ______
Military Goods Production ______

5. Amount of Damage Resulting from Subversion (See Table VII, Section B of Instructions) ____________________

WAR CARDS

WIN

WIN

LOSE

TRADING SLIPS (Fill out in Duplicate)

1. Country seeking trade ______________ Bloc to which nation belongs__________

2. Product to be traded (check one) Consumer goods ________
Capital goods ________
Military goods ________

3. Amount to be traded (in millions of dollars) ____________

4. Product wanted in exchange (check one) Consumer goods ________
Capital goods ________
Military goods ________

5. Amount wanted in exchange (millions of dollars) ______________

6. Country with which trade made ______________________________

7. Product traded (check one) Consumer goods ________
Capital goods ________
Military goods ________

8. Amount traded (in millions of dollars) ______________________

9. Product received in exchange (check one) Consumer goods ________
Capital goods ________
Military goods ________

10. Amount received (in millions of dollars) ______________________

CHANCE CARDS

Dust Storms Caused Crop Failure. Projected Consumer Production Lowered 10%

Industrial Managers Engage in Illegal Gray Market Operation. Capital Resources Production Down 5%

Popular President Elected. Optimism Runs High. Capital Resources Production Stimulated. Up 10%

Nothing Happened of Economic Consequence. No Change

Pace of Automation Accelerated. All Production increases 10%

Plot to overthrow government discovered. All production down 5%

United Nations Assessment Due. Consumer Goods Production Lowered 10%

Nuclear Attack Eliminates Total Military Capability

Untimely monsoons cause crop failure. Projected Consumer Production Down 10%.

Tax Cut passed by Congress. All production increased by 10%.

Nothing Happendd of economic consequence. No change.

Nothing Happened of Economic Consequence. No Change

Technological breakthrough. New method developed for producing steel. Capital Resources Production Up 5%

Anti-missile missile developed. Military Production down 15%.

Chemical Pills to Replace Food Discovered. Consumer Goods Production Up 20%

New Fertilizers Developed. Consumer Goods Production Up 5%.

New Method for handling materials developed. Capital Resources Production up 5%

Civil Disobedience Demonstrations break out in major industrial areas. All production down 5%.

Railroad strike continues for 30 days. All production down 5%

Agent of foreign government discovered in key post of Defense Department. Military capability down 10%

Tax increase passed by Congress. All production decreased by 5%.

Tax reform bill passed by Congress. Capital Goods Production decreased by 5%. Military Goods Production increased by 15%.

International nuclear test ban signed. Military production down 5%. Capital Goods and Consumer Goods Production up 10%.

Nationwide general strike called. All production down 10%.

Steelworkers sign contract including profit-sharing clause. All production up 5%.

Government cuts national budget. All production down 5%.

Nothing happened of economic consequence. No change.

Federal Reserve Board lowers interstate rate at which money can be borrowed. Capital Goods Production increased 10%.

Severe frost in South kills citrus fruit crop. Consumer Goods Production decreased 5%.

Nothing happened of economic consequence. No change.

Government creates 1,000,000 jobs through national work force. Consumer Goods Production increased 5%.

Nothing happened of economic consequence. No change.

Crop failures of rival nations bring inquiries concerning possibility of trade. Consumer Goods Production increased 5%.

Rapid general price increases create uncontrolled inflation. All production decreased 10%.

Military coup creates internal revolt. All production decreased 25%.

Nothing happened of economic consequence. No change.

Steel rolling equipment becomes obsolete. Capital Goods Production decreased 5%.

Nothing happened of economic consequence. No change.

All major electrical companies sued for $100,000,000. Accused of price fixing. Capital Goods Production Decreased 5%.

Legislation freezing all wages at current level passed. Consumer Goods Production decreased 10%.

Minimum wage increased. Consumer Goods Production up 5%.

Nothing happened of economic consequence. No change.

All coal mines automated. Capital Goods Production increased 5%. Consumer Goods Productinn decreased 10%.

MEMORANDUM

Error in statistics for Economic Game **Page 114 text**

Revolt Levels **Table VIII**

Nation	**Revolt Level**	**25% below Revolt Level**
13-24	**.0075**	**.005625**
25-36	**.005**	**.00375**
		50% Below
		.00375
		.0025

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT VI
(Follows Reading 24)

It is suggested that the independent activity period this week be eliminated in view of the independent nature of game play.

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT VII
(Follows Reading 28)

It would be very helpful in evaluating the economic planning game as a teaching tool if the students could spend this week's independent activity day discussing what they learned by playing the game. Each group could file a report indicating their evaluation of the game, enumerating its strengths and weaknesses as seen by the student.

COMPARATIVE ECONOMIC SYSTEMS

Essay Examination
(Readings 12-28)

This examination will require 30 minutes. Spend at least five minutes planning your essay before you begin to write. Spend another five minutes outlining before you write your final answer.

DO NOT WRITE ON THIS EXAMINATION PAPER.

During the past several weeks we have studied in some depth the mechanics of market and command economies. We have seen the kinds of problems that arise in each and have learned to see various economic systems not as pure types but as mixtures -- i.e., the market society as we know it in the U.S.A. has elements of command in it; the command society as the U.S.S.R. sees it has elements of market mechanisms in it. Using all the information available to you, think through the following questions:

> How likely is it that, with the passage of time, all men everywhere will come to accept one economic system as best for them?
> What preconditions would have to be met before men would agree that their goals are best served by one particular way of organizing their economic activities?

Subject Objectives: To know:

1. That due to the scarcity of economic goods, individuals, industries and societies are constantly forced to make economic choices.

Skill Objective:

1. Developing skill in presenting ideas orally (Bloom, 5.10)

Procedures:

1. Place on overhead or board the following evaluation criteria and tell class in listening to various presentations they should keep these in mind:

   In his presentation, does the city treasurer

   A. clearly indicate the economic choice confronting the council
   B. adequately present alternative solutions
   C. adequately indicate the consequence of accepting each solution
   D. present his personal choice of alternatives convincingly
   E. use a chart or graph effectively in presenting his case

   (This is an excellent opportunity to hear from some of the less vocal members of a class.)

2. Have as many students as class time permits make presentations. After each presentation, have class evaluate on basis of listed criteria.

Transparency: Criteria listed above.

Evaluation:

IN HIS PRESENTATION, DOES THE CITY TREASURER

A. CLEARLY INDICATE THE ECONOMIC CHOICE CONFRONTING THE COUNCIL

B. ADEQUATELY PRESENT ALTERNATIVE SOLUTIONS

C. ADEQUATELY INDICATE THE CONSEQUENCE OF ACCEPTING EACH SOLUTION

D. PRESENT HIS PERSONAL CHOICE OF ALTERNATIVES CONVINCINGLY

E. USE A CHART OR GRAPH EFFECTIVELY IN PRESENTING HIS CASE

Handout for Reading 29

RESOURCE	NATURAL	HUMAN	MAN-MADE	TANGIBLE	INTANGIBLE	DESIRABLE	ESSENTIAL	INEHAUSTIBLE	EXHAUSTIBLE & RENEWABLE	EXHAUSTIBLE & NON-RENEWABLE

Handout for Reading 29

RESOURCE	NATURAL	HUMAN	MAN-MADE	TANGIBLE	INTANGIBLE	DESIRABLE	ESSENTIAL	INEHAUSTIBLE	EXHAUSTIBLE & RENEWABLE	EXHAUSTIBLE & NON-RENEWABLE

Subject Objective: To know:

1. That the impact of resources upon an economy depends upon the the quantity of resources available, the quality of resources available, and the balance in which resources are held.

Skill Objective:

1. Developing ability to extend conclusions beyond immediate inferences (Bloom, Extrapolation - 2.30)

Procedures:

1. Put transparency 30A on overhead.
2. Overlay list of resources, which are those at end of Reading 30. How would you classify each of these? Clarify any misunderstandings concerning each of the classifications which might come up.
3. Which of these resources did you decide were most significant in the development of the American economy? How did the quality and quantity of resources available explain the type of economic development that took place? (This question should provide ample material for a full day's discussion. Be sure the discussion, at some point, touches on the importance of free public education as developer of quality of human resource. Consider the quantity in which resources were available, as well as the quality and balance.)

1 Class Handout

Transparencies: set of 5

Evaluation:

Resource	Natural	Human	Man-Made	Tangible	Intangible	Desirable	Essential	Inexhaustible	Exhaustible	
									Renewable	non-Renewable

WOODED AREAS OF AMERICAN CONTINENT IN 17TH CENTURY										
GOLD										
ROBOTS										
NEW YORK PUBLIC LIBRARY										
NATURAL BEAUTY										
COMPUTERS										
AIR IN DENVER, COLORADO										
AIR IN LOS ANGELES, CALIFORNIA										
LOBSTERS OFF THE COAST OF MAINE										
NATIONAL PARKS										
ELECTRONIC PACKAGING MACHINES										

COLOR TELEVISION
SETS

GRAVITY

COLLEGE TRAINED
TECHNICIANS

FEDERAL HIGHWAY
SYSTEM

STATE ROADS

PRIVATE TURNPIKES

EYEGLASSES

GRASS

IGLOOS

MANHATTAN ISLAND

FLORIDA CLIMATE

BUFFALO

RADAR

DWIGHT D.
EISENHOWER

PUBLIC SCHOOL
SYSTEM

MORALE

RAILROADS

EMPIRE STATE
BUILDING

HILTON HOTELS

PAPER

MASSACHUSETTS
INST. OF TECH.

COAL

HARVARD UNIVERSITY

MIMEOGRAPH
MACHINES

UNIVERSITY OF
TUSKEGEE

NEW YORK YANKEES

BANK OF AMERICA

GENERAL MOTORS

PEANUTS

CHILDREN

JET AIRPLANES

LOWELL TEXTILE
MILLS

DES MOINES CHAPTER
OF THE FARMERS
ALLIANCE

NATIONAL ASSOC.
OF MANUFACTURERS

ROBERT FROST

JOHN F. KENNEDY

ICE SKATING
ARENAS

NOTRE DAME FOOT-
BALL TEAM

Subject Objective: To know:

1. That the pattern of natural resources used in the United States has changed in the past and will probably change in the future.

Skill Objective:

1. Reading charts and tables accurately.

Procedures:

It is suggested that the teacher spend the class period asking the class each of the questions following each table and chart. Try to call on the students who do not volunteer to reach those who may have misinterpreted the material. Transparencies are provided for each chart and table.

Answers to the questions asked are as follows:

Table I

1. a. Population has been increasing.

   b. Amount of resources likely to be used in any one year depends upon size of population. As population increases, more resources needed.

2. The better educated your population, the more likely they are to come up with the skills and technology needed to find substitutes for natural resources as depleted. At the same time, a more educated population is likely to consume more resources as a result of their higher standard of living.

3. a. 27,766,875 (178,464,236 - 150,697,361)

   b. 27,766,875 ÷ 150,697,361 = about 18%

Table II

1. a. Rise b. Rise

2. Indicates amount available for future use

3. a. 6,345,000,000 barrels or 6,345,000 thousands of barrels (Should point out to students at this point of always being aware of what unit figures represent)

   b. 6,345,000 ÷ 25,268,000 = about 25%

4. New sources of petroleum are continually being discovered.

5. a. Change in population affects quantity in which resources used.

   b. Likely patterns of imports; likely developments in use of alternative sources of energy.

Table III

1. Increasing
2. Not really. Indicates sufficient information to calculate rate at which population increasing and rate at which reserves increasing plus rate at which population currently using gas. However, by itself, does not indicate possibilities of either population or natural gas continuing to be used at same rate.

Chart 1

1. about 92%
2. about 48%
3. No -- it shows only what per cent of energy produced in any one year came from coal, what per cent from water power, what per cent from natural gas and what per cent from oil. IT TELLS NOTHING ABOUT THE ACTUAL AMOUNTS OF ANY OF THESE RESOURCES USED AT ANY TIME.
4. Of the total energy produced in the U.S. in each year, the per cent which was produced by using coal.

Table IV

1. This indicates the possibility of finding new resources or new uses for little-used resources (such as uranium in creating atomic power) when known resources are depleted.

Table V

1. Just as the problem of depletion of natural resources depends upon population trends, so the adequacy of increases in our agricultural production depends upon population trends.

Table VI

1. 5,000,000,000 (Note that unit is given in billions of dollars)
2. 4,008,000,000 (Note that unit is given in millions of dollars)
3. Since what a dollar can buy changes from time to time, accurate statisticians, in comparing dollars spent at one period of time with dollars spent at some other period of time, adjust their figures to equate purchasing dollars. The dollars used throughout the 80-year span are then assumed to be of comparable purchasing power.
4. The difference between the amount of a certain class of products exported and the amount imported in any one year; that is, the figure arrived at by subtracting the amount exported from the amount imported.

5. a. exported

   b. by the minus sign in front of the figure indicating that the figure for exports was greater than the figure for imports.

6. Rate at which resources in this economy have been used in the past

Transparencies: 6

TABLE 1

POPULATION, UNITED STATES 1870-1960

YEAR	NUMBER	MEDIAN SCHOOL YRS. COMPLETED (POP. OVER 25 YRS. OF AGE)
1870	39,818,449	*
1880	50,155,783	*
1890	62,947,714	*
1900	75,994,575	*
1910	91,972,266	*
1920	105,710,620	*
1930	122,775,046	*
1940	131,669,275	8.6
1950	150,697,361	9.3
1960	178,464,236	10.6

TABLE II

PETROLEUM PRODUCTS AND RESERVES (U.S.)
(IN THOUSANDS OF BARRELS OF 42 GALLONS)

	PRODUCTION	PROVEN RESERVES	
1946-1950, AVERAGE	1,885,325	1950	25,268,000
1951-1955, AVERAGE	2,338,809	1959	31,719,347
1956-1960, AVERAGE	2,566,539	1960	31,613,000
1956	2,617,283	1962	31,389,000
1960	2,574,933		
1962 (PREL.)	2,676,185		

TABLE III

NATURAL GAS (BILLIONS OF CUBIC FEET)

YEAR	TOTAL MARKETED PRODUCTION	ESTIMATED PROVEN RESERVES AS OF END OF YEAR	INCREASE OVER PREVIOUS YEAR
1930	1,943		
1940	2,660		
1950	6,282	185,593	5,211
1958	11,030	254,142	7,573

TABLE III

NATURAL GAS (BILLIONS OF CUBIC FEET)

YEAR	TOTAL MARKETED PRODUCTION	ESTIMATED PROVED RESERVES AS OF END OF YEAR	INCREASE OVER PREVIOUS YEAR
1930	1,943	**	
1940	2,660	**	
1950	6,282	185,593	5,211
1958	11,030	254,142	7,573

** COMPARABLE FIGURES NOT AVAILABLE

Shifting Pattern of U.S. Energy Resources

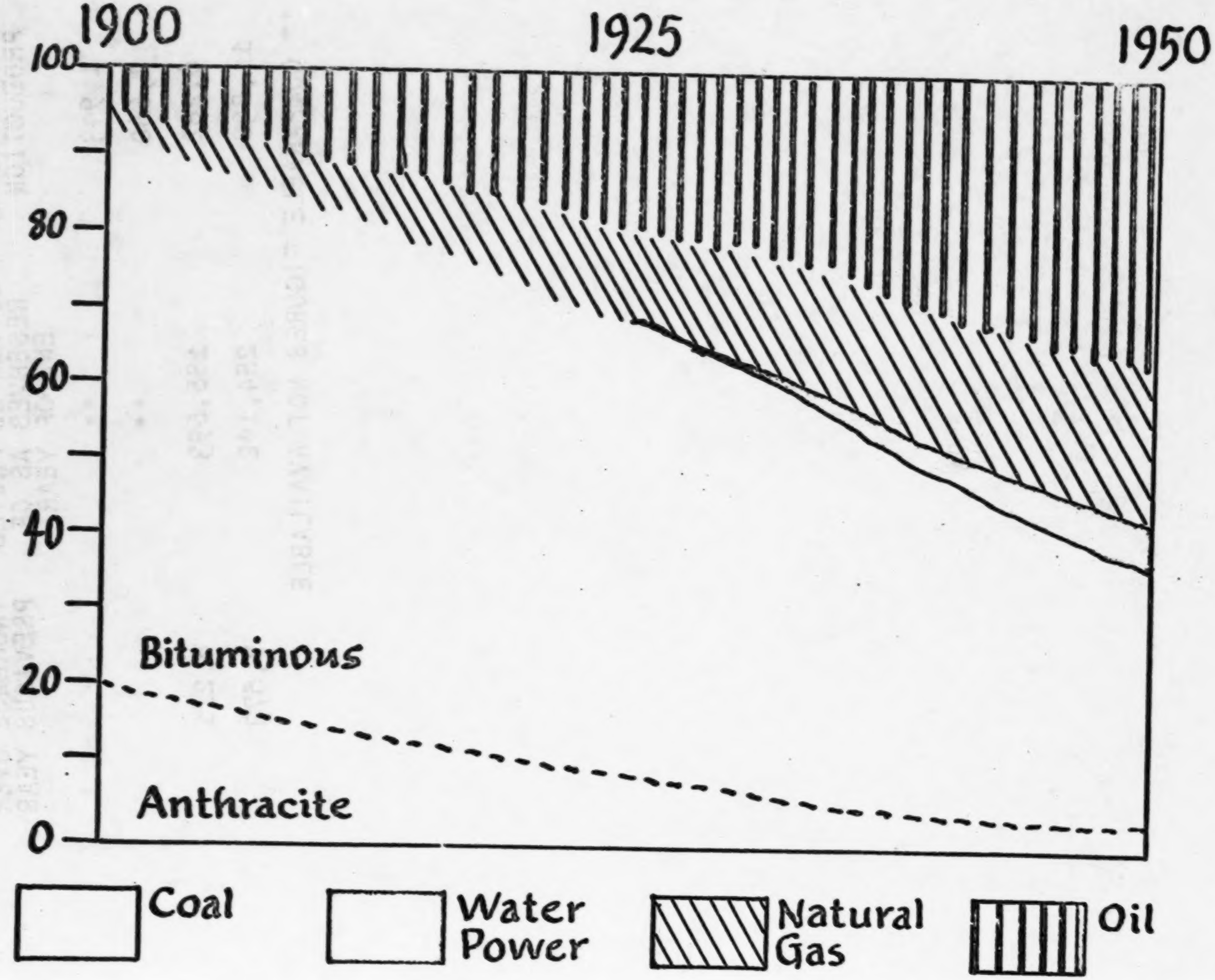


TABLE IV

ESTIMATED URANIUM ORE RESOURCES
(IN 1000 TONS)

	PRODUCTION	MILLING CAPACITY (TONS/DAY)
1950	2,000	800
1954	10,000	2,650
1955	27,000	5,500
1956	60,000	8,960
1957	78,000	11,000
1958	82,500	21,000
1959	86,000	21,410

TABLE V

PRINCIPAL AGRICULTURAL CROPS--YIELD PER ACRE
(IN BUSHELS)

YEAR	OATS	RYE	BARLEY
1931-1935	25.9	11.1	20.0
1936-1940	30.2	11.8	22.0
1941-1945	32.2	12.3	24.1
1946-1950	33.9	12.2	25.8
1951-1955	34.6	13.2	27.9
1958	44.5	18.2	31.8

TABLE VI

RESOURCE TRENDS IN THE UNITED STATES, 1870-1954

RESOURCE CONSUMPTION	1870	1880	1890	1900	1910	1920	1930	1940	1950	1957
AGRICULTURE ($ BILL. ADJ. 1954 $)	5.0	6.5	8.5	10.3	13.4	15.2	18.5	21.8	24.7	26.1
FOREST PRODUCTS ($ MILL. ADJ. 1954 $)	2300	*	*	3476	4008	3552	3022	3237	3750	3615
MINERALS ($ MILL. ADJ. 1954 $)	386	792	1643	2376	4472	6152	7099	8667	12759	15798
NET RESOURCE IMPORTS ($ BILL. ADJUSTED TO 1954 $)										
AGRICULTURE	-.75	-2.07	-1.92	-2.58	-1.44	-1.59	+.03	+2.68	+.76	-.43
FOREST PRODUCTS	*	*	*	*	-.108	-.005	-.028	.061	.307	.240
MINERALS	-.021	.166	-.020	-.111	-.246	.213	.533	5.44	1.18	2.15

* COMPARABLE FIGURES NOT AVAILABLE

Subject Objectives: To know:

1. That the pattern of capital resources has changed in the past and will probably change in the future.

Skill Objectives:

1. Application (Bloom, 3.0)

Procedures:

1. Ask students to read their lists of statistics necessary to indicate the role capital resources have played over the years in the industrial development or productivity of nations. As lists are read have class evaluate. Develop on board or overhead a listing agreed upon by the class as a good one to teach the subject objective stated above. Do not spend more than 5 minutes on this exercise.

2. When list has been developed, pass out Table Reading Test. Have students write the answers to the questions following each table. Answers should be graded and considered as test. This test will bring to your attention those students who need extra help in learning to interpret charts.

Answers to Questions Following Tables on Reading 31, Class Handout

TABLE I

1. An index number indicates that a value of 100 has been assigned to the figure for a particular year (called the base year). The figures for all other years are shown in terms of their proportionate value relative to that base year.

2. Increasing over the years, but not at a steady rate in each decade.

3. a. Increasing efficiency on part of labor
   b. Greater use of capital resources

TABLE II

1. Has been increasing

2. a. no b. no c. no

3. no

4. a. Rate at which capital was being invested in our industries during this period of time.
   b. How large a labor force was being used.

TABLE III

1. In general, trend has been upward

2. Depression

3. no

4. a. Total production figures b. Labor input figures

TABLES IV AND V

1. Constantly increasing

2. Probably continue to increase

3. Changes in input of factors of production other than capital resources

TABLE I

THE GROWTH OF AMERICAN PRODUCTIVITY, 1869-1950

Period	Output of all commodities per man hour 1899 = 100
1869-1870	61
1879-1880	67
1889-1890	82
1899-1900	100
1909-1910	125
1919-1920	151
1929-1930	243
1939-1940	282
1949-1950	402

Figures from Table 6, AMERICAN ECONOMIC HISTORY, edited by Seymour E. Harris, New York: McGraw-Hill, 1961, p. 72.

1. What is an index number?
2. What has been the trend in productivity per man-hour in the U.S.?
3. Give at least two possible explanations for this trend.

TABLE II

THE GROWTH OF AMERICAN OUTPUT, 1869-1957

Period	Gross National Product in 1947 dollars		Indices of Output: 1899 = 100			
	Total, in billions	Per capita in dollars	All Commodities	Agri.	Mfg.	Mining
1869-1878	16.4	370	31	43	25	17
1879-1888	31.1	570	46	63	36	31
1889-1898	42.6	630	71	79	66	57
1899-1908	65.8	800	100	100	100	100
1909-1918	90.2	920	143	115	158	184
1919-1928	124.3	1,100	186	126	222	234
1929-1938	130.6	1,040	281	145	364	389
1939-1948	224.1	1,630	290	159	374	366
1949-1957	297.6	1,860	443	212	604	466

1. What does Table II show you concerning the trend of production in the U.S. in the past?

2. a. Does this tell you anything about productivity per man-hour?
   b. Does this tell you anything about productivity per unit of capital invested?
   c. Does this tell you anything about the relative importance of the individual factors of production involved?

3. From Tables I and II do we have sufficient information to draw any conclusions concerning how much the use of capital goods affects productivity?

4. What other figures do we need to make such a generalization?

TABLE III

CAPITAL IN MANUFACTURING INDUSTRIES: 1930 to 1955 (U.S.)

(in millions of dollars)

Real net value in 1947 dollars (Dept. of Commerce)

Year	Structures	Equipment	Inventories
1930	32,100	13,900	19,100
1935	28,800	11,300	15,200
1940	28,000	12,600	20,500
1945	26,600	16,300	24,100
1950	30,700	24,800	29,100
1955	33,200	31,100	37,200

1. What does Table III tell you concerning the investment in capital resources by American industries?
2. How do you account for the drop in investment between the years 1930-1940?
3. Does Table III by itself tell you how important investment in physical capital is to total productivity?
4. What other information would you have to have for these same years to get any insight into the impact of capital investment on productivity?

TABLE IV

TOTAL CAPITAL IN MAJOR BRANCHES OF MANUFACTURES IN 1929 DOLLARS (U.S.)
(in millions of dollars)

	1948	1929	1914	1904	1899	1879
Food and knitted products	10,488	9,591	6,515	4,656	3,760	897
Textiles and textile products	6,892	8,195	5,163	3,482	3,145	998
Leather products	817	1,213	1,351	1,066	891	328
Rubber products	1,422	1,131	265	93	74	10
Paper, pulp & products	2,476	2,239	1,246	670	455	90
Chemicals & allied substances	6,487	4,221	2,078	1,134	871	206
Petroleum refining	11,188	6,092	552	254	195	37
Iron & steel products	9,645	6,666	5,166	2,886	1,581	472

TABLE V

INDEXES OF MANUFACTURING PRODUCTION BY INDUSTRY GROUP
1947 = 100

	1947	1929	1914	1904	1899
Food	100	46	34	24	19
Textiles & apparel	100	67	48	32	26
Leather	100	79	64	58	50
Rubber products	100	57	--	--	--
Paper	100	52	24	14	10
Chemicals	100	35	15	8	6
Petroleum & coal products	100	54	12	6	5
Primary metals	100	65	29	18	14

1. After studying Tables IV and V, what generalizations could you make concerning the role physical capital has played in U.S. productive processes in the past?

2. What prediction might you make for the future on the basis of these figures?

3. What figures do you need to show relative importance of physical capital as a factor of production?

(follows Reading 32)

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT

Today you will spend in the library.

In committee you will decide what statistics would have strengthened our lessons on the productive role of resources. What figures, tables or charts would have most graphically shown the role natural, capital and human resources have played in the past? How could we have better demonstrated the role each presently plays?

During the last five minutes of the period, you will indicate on an Independent Decision-Making Form what statistics you found to strengthen the lessons and the source. If your committee finds nothing, indicate what you attempted to do and why you failed.

Because of the need for group discussion, this activity might be more easily handled by bringing to the classroom whatever statistical sources the school library can provide.

Subject Objective: To know

1. The importance of the role played by the development of human resources in building modern nations

Skill Objective:

1. Interpretation (2.20)

Procedures:

1. You might want to "warm up" the class with some stimulus question such as "How important did you decide the development of human resources appears to be to the building of modern nations?"; or, "Harbison and Myers refer to the 'formation and investment of strategic human capital.' What do they mean by this?"

2. You might also want to spend some class time discussing the difficulties of collecting valid statistics.

3. The remainder of this lesson might be done either as a written or oral exercise.

   a. If written, students could be given specific questions to answer such as:

      1) What is the relationship between GNP per capita and national level of development? Why can this be considered a measure of national development?

      2) What is the relationship between % of population engaged in agriculture and national level of development? Why can this be considered a measure of national development?

      3) What is the relationship between teachers per 10,000 population and national level of development? Scientists? Physicians and dentists?

      4) In which of the cases noted above is the relationship most distinct?

      5) If statistics were available, what other measures of national development might be reasonable ones to use?

      6) Why did Harbison and Myers use the particular measures of national development that they did? Was this a reasonable way to measure national development? Why?

      7) What is the significance of the number preceding the name of each country in Table I?

      8) What is encompassed by the term "national development"?

      9) What factors do you consider important in determining the rate at which national development will take place?

b. If you prefer to combine elements of both a written and oral presentation, students might be asked to jot down as many implications as they can think of that can be inferred from the information on Table 2. Time could be left at the end of the period to discuss these implications.

c. A completely oral presentation can be prepared using the transparencies of Tables 1 and 2 as stimulus materials to bring out same points considered in written exercise.

Transparencies: 3

TABLE 1

COUNTRIES GROUPED BY LEVELS OF HUMAN RESOURCE DEVELOPMENT ACCORDING TO COMPOSITE INDEX

LEVEL I, UNDERDEVELOPED

0.3	NIGER
0.75	ETHIOPIA
1.2	NYASALAND
1.55	SOMALIA
1.9	AFGHANISTAN
1.9	SAUDI ARABIA
2.2	TANGANYIKA
2.6	IVORY COAST
2.95	NORTHERN RHODESIA
3.55	CONGO
4.1	LIBERIA
4.75	KENYA
4.95	NIGERIA
5.3	HAITI
5.45	SENEGAL
5.45	UGANDA
7.55	SUDAN

LEVEL II, PARTIALLY DEVELOPED

10.7	GUATEMALA
10.7	INDONESIA
10.85	LIBYA
14.2	BURMA
14.5	DOMINICAN REPUBLIC
14.8	BOLIVIA
15.25	TUNISIA
17.3	IRAN
19.5	CHINA (MAINLAND)
20.9	BRAZIL
22.6	COLUMBIA
22.7	PARAGUAY
23.15	GHANA
23.65	MALAYA
24.3	LEBANON
24.4	ECUADOR
25.2	PAKISTAN
26.8	JAMAICA
27.2	TURKEY
30.2	PERU
31.2	IRAQ

TABLE 1

COUNTRIES GROUPED BY LEVELS OF HUMAN RESOURCE DEVELOPMENT ACCORDING TO COMPOSITE INDEX

LEVEL III, SEMIADVANCED		LEVEL IV, ADVANCED	
33.0	MEXICO	77.1	DENMARK
35.1	THAILAND	79.2	SWEDEN
35.2	INDIA	82.0	ARGENTINA
35.5	CUBA	84.9	ISRAEL
39.6	SPAIN	85.8	WEST GERMANY
40.0	SOUTH AFRICA	88.7	FINLAND
40.1	EGYPT	92.9	U.S.S.R.
40.8	PORTUGAL	101.6	CANADA
47.3	COSTA RICA	107.8	FRANCE
47.7	VENEZUELA	111.4	JAPAN
48.5	GREECE	121.6	UNITED KINGDOM
51.2	CHILE	123.6	BELGIUM
53.9	HUNGARY	133.7	NETHERLANDS
53.9	TAIWAN	137.7	AUSTRALIA
55.0	SOUTH KOREA	147.3	NEW ZEALAND
56.8	ITALY	261.3	UNITED STATES
60.3	YUGOSLAVIA		
66.5	POLAND		
68.9	CZECHOSLOVAKIA		
69.8	URUGUAY		
73.8	NORWAY		

TABLE 2

INDICATORS OF HUMAN RESOURCE AND ECONOMIC DEVELOPMENT

INDICATOR	LEVEL I 17 COUNTRIES	LEVEL II 21 COUNTRIES	LEVEL III 21 COUNTRIES	LEVEL IV 16 COUNTRIES
COMPOSITE INDEX (2ND & HIGHER EDUCATION)	3	21	50	115
GNP PER CAPITA, U.S. DOLLARS	$84	$182	$380	$1,100
PER CENT ACTIVE POPULATION IN AGRICULTURE	83	65	52	23
TEACHERS (1ST & 2ND LEVELS) PER 10,000 POPULATION	17	38	53	80
SCIENTISTS & ENGINEERS PER 10,000 POPULATION	0.6	3	25	42
PHYSICIANS & DENTISTS PER 10,000 POPULATION	0.5	3	8	15

Subject Objectives: To know:

1. that the role of the entrepreneur is to initiate, coordinate and supervise economic activities;
2. that the traditional economy does not need entrepreneurs;
3. that the role of the entrepreneur is becoming more and more specialized in complex modern economic societies;
4. that the role of the entrepreneur in the United States is shared by independent individuals, managers hired by large corporations and government;
5. that the role of the entrepreneur in the Soviet Union is shared by government-appointed planners and managers.

Skill Objective:

1. Ability to interpret underlying philosophical content of fictionalized account (Bloom 2.20 - Interpretation)

Procedures:

1. From Dos Passos' account of Henry Ford's rise to prominence as an entrepreneur, what would you say were the personal characteristics that led to his success? (In discussion, teacher should bring out that this account, while fictionalized for dramatic effect, is essentially correct in its facts. But the interpretation of facts is often a subjective matter. Men with values different from Dos Passos' would see things differently. Students should mention Ford's ingenuity, his drive and ambition, his creativity in bringing new ideas to the act of large-scale production.)

2. How do you think the editor of a businessman's magazine would have described Ford? A college economist?

3. As an entrepreneur, what would you say were Ford's major contributions to the development and growth of the Ford Motor Company? (He initiated the company, he coordinated the economic activities of the company, and he generally supervised the operation of the company.)

4. Would you say that, in general, these functions could be considered the contribution of the entrepreneur to production? (Yes)

5. In a pure traditional society who are the entrepreneurs? (There are none. A pure traditional society does not need entrepreneurs because economic activities are so simple coordination and supervision are not necessary and all economic activity is initiated in accordance with custom.)

6. In the Eskimo societies we studied early this semester were there any entrepreneurs? Why? (Yes - the head of whaling crews, some tribal chiefs. Eskimo society is not a pure traditional economy. There are production tasks in it that require coordination.)

7. Give some examples of entrepreneurs in the United States market economy. (Here should be brought out the fact that there are three identifiable classifications of entrepreneurs in the United States.

There are still individual owners of businesses who themselves take the initiative in founding a business, coordinating its activities, and personally supervising its activities. There are managerial entrepreneurs who do not initiate a business but are hired to coordinate and supervise its activities. And there is the government at all levels, federal, state and local, which frequently initiates economic activity, such as road building, school building, etc., and sometimes coordinates and supervises economic activity as well.)

In the pure market economy, which of these entrepreneurs would exist? (The individual entrepreneur and the hired manager entrepreneur. There is obviously no place for government as an entrepreneur in a pure market economy.)

8. Is there a place for the entrepreneur in the Soviet Union? (yes)

9. What is the entrepreneur's role in a command economy? (The same as in any other economy. To initiate, supervise and coordinate economic activity.)

10. Who plays the role of the entrepreneur in the Soviet command economy? (Economic planners who initiate and coordinate activities and industrial managers who supervise and coordinate activities at a lower level of production.)

11. Is it conceivable that complex economic societies could develop and function without entrepreneurs? (No)

12. If there is time left, the instructor might let the students play around with an open-ended discussion concerning whether Henry Ford could achieve the success he did if he were starting out today.

MEMORANDUM

To: Teachers teaching Comparative Economic Systems

Please note error in Question 13, Semi-Final Examination:

A. Should read:

that as many people complete 8.6 years of school as complete less than 8.6 years of school.

I would suggest that either you clarify or simply give 13 as a free question.

Dell Schultz

COMPARATIVE ECONOMIC SYSTEMS

Mid-Semester Examination
Readings 1-33

DO NOT WRITE ON THIS EXAMINATION SHEET. AN ANSWER SHEET HAS BEEN PROVIDED.

This objective examination will last 30 minutes. It consists of 50 questions. For each question, choose the best of the four suggested answers. After you decide which answer is best, mark an X through the letter on the answer sheet. Give only one answer to each question; no credit will be given for multiple answers.

Example: Question Sheet
1. Chicago is a
A. state C. country
B. city D. continent

Answer Sheet
1. A ~~B~~ C D

If you do not know the answer to a question, go on to the next one, and then return to questions you have left blank. If you are able to eliminate one of the four suggested answers as certainly wrong, it will pay you to guess among the other three. The exam will be graded according to the number right minus one-third of the number wrong.

Questions 1 - 3 refer to the following statements:
First speaker: "We have used up everything that was allocated to our factory and we can't get any more."
Second speaker: "If you can't get enough for a dollar, offer $1.10."
Third speaker: "I'm going to follow the same occupation as my father."

1. The statement by the first speaker is most likely to have been made by a person in
*A. a command economy. C. a market economy.
B. a traditional economy. D. all three of the above.

2. The statement by the second speaker is most likely to have been made by a person in
A. a command economy. *C. a market economy.
B. a traditional economy. D. all three of the above.

3. The statement by the third speaker is most likely to have been made by a person in
A. a command economy. C. a market economy.
*B. a traditional economy. D. all three of the above.

4. Which of the following groups received benefits from the work of the Dennison Manufacturing Company?
1. the workers 3. the government
2. the owners 4. the customers
A. 1, 2 & 3 B. 1, 2 & 4 C. 1 & 2 *D. 1, 2, 3, & 4

5. All but one of the following was a factor in the decisions of the Dennison Company concerning what they should produce.
A. Demand C. Supply from other firms
*B. Tradition D. Costs of production

6. The Dennison Company was
A. an individual proprietorship. C. a corporation.
B. a partnership. *D. all three.

Questions 7 - 10 refer to the following four items. Note: some items may be used more than once and some not at all.

A. A spokesman for a "pure" traditional economy
B. A spokesman for a "pure" command economy
C. A spokesman for a "pure" market economy
D. A spokesman for a mixed economy

7. "I would not permit these economic outrages to continue. I'd take over the means of production and allocate goods for the welfare of the people instead of for the profits of the few."
A. *B. C. D.

8. "It isn't necessary to change the economic system completely to eliminate these evils. We can regulate corporate activity in those areas where businessmen have broken the rules."
A. B. C. *D.

9. "The trouble is that too few firms are in this business so that competition cannot operate satisfactorily. We must have hundreds of firms making this product if the consumer is to get good quality at a low price."
A. B. *C. D.

10. "Frankly, I'm bewildered at the way you run this country. No one seems to know his place. Men seem to do any job they want to and to recognize no obligations."
*A. B. C. D.

11. Adam Smith believed that man's economic needs are best served by following the dictates of
*A. supply and demand. C. tradition.
B. a benevolent government. D. a central planning board.

12. All but one of the following are important in predicting an economy's resource potentials
A. rate at which resources are presently being used
B. rate at which population is growing
C. state of technological development
*D. form of economy under which society operates

13. 8.6 median school years completed indicates
*A. that more people complete 8.6 years of school than any other number of school years.
B. that the eighth grade is the hardest, causing students to drop out.
C. that more students go to school in the U.S. than anywhere else.
D. that the average number of school years completed is 8.6.

Questions 14 - 17 refer to the following resource classifications. Indicate by letter the proper classification.

A. Natural - Exhaustible and Renewable
B. Natural - Inexhaustible
C. Natural - Exhaustible and Non-Renewable
D. Capital

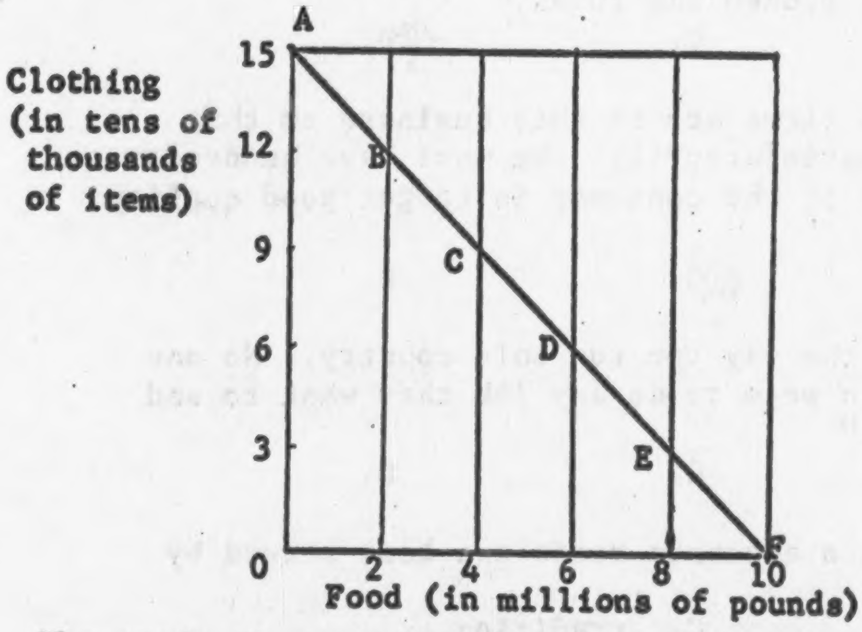
14. How would you classify wood as a resource?
[✓ A.] B. C. D.

15. How would you classify computers?
A. B. C. [✓ D.]

16. How would you classify climate?
A. [✓ B.] C. D.

17. How would you classify highways?
A. B. C. [✓ D.]

18.



The production possibility schedule shown above indicates that

A. a nation's production of clothing does not affect its production of food.
B. food output can be increased by improving production methods.
[✓ C.] food output can be increased by directing resources used to produce clothing to the production of food.
D. the only reason countries suffer from lack of food is that they indulge themselves by overproducing clothing.

19. Competition is easiest to find in industries characterized by all but one of the following:

A. little skill
B. small investment
[✓ C.] use of critical patents
D. readily available raw materials

20. Fair competition is usually defined in normal speech as
A. competition controlled by the government.
B. competition encouraging the survival of the fittest.
C. competition free of all controls.
*D. competition favorable to whoever is defining fairness.

21. Middletown, Ohio. Demand Schedule for Ice Cream
Week of June 21, 1961

If the price of ice cream were	Consumers would buy	
.80	60,000	quarts
.75	70,000	"
.70	85,000	"
.65	100,000	"
.60	120,000	"
.55	150,000	"
.50	180,000	"

During the week of June 21, 1964 in Middletown, Ohio, 150,000 quarts of ice cream were sold at 55¢. According to the schedule shown above, a change in demand would have taken place if
A. 60,000 quarts were sold at 80¢. C. 100,000 quarts were sold at 65¢.
*B. 100,000 quarts were sold at 70¢. D. 85,000 quarts were sold at 70¢.

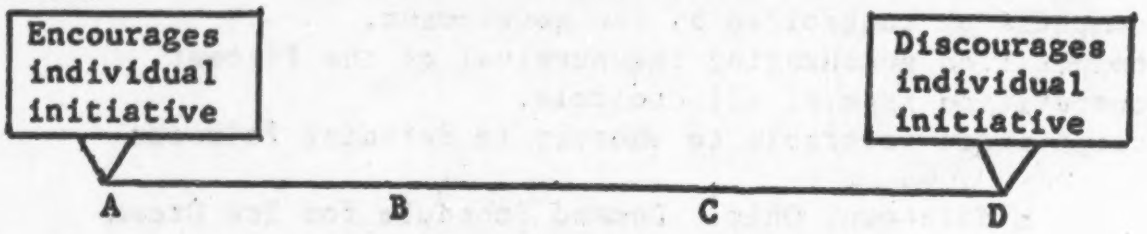
22. Table I
Petroleum Products and Reserves (U.S.)
(In thousands of barrels of 42 gallons)

Year		Production	Proven Reserves	
1946-1950,	average	1,885,325	1950	25,268,000
1951-1955,	"	2,338,809	1959	31,719,347
1956-1960	"	2,566,539	1960	31,613,000
1956	"	2,617,283		
1960	"	2,574,933		

Table I indicates that
A. the U.S. is using petroleum faster than it can be replaced.
B. there will be a serious petroleum shortage in the U.S. by the year 2000.
*C. sources for producing petroleum are still available in the U.S.
D. the yearly production of petroleum has been constantly increasing.

23. The major problems now plaguing the American agricultural industry could be solved by
A. removing all government controls.
*B. accepting solutions that will solve present problems by creating different problems.
C. removing price controls, but keeping all other government controls.
D. increasing farmers' productivity.

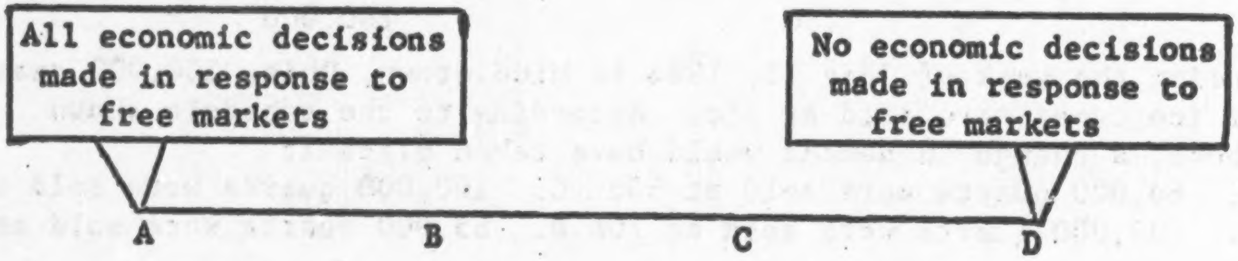
Questions 24-25 refer to positioning economies on the following spectrum.


Encourages individual initiative
Discourages individual initiative
A
B
C
D

24. A pure market economy would be positioned around point
[✓ A.] B. C. D.

25. A pure command economy would be positioned around point
A. B. C. [✓ D.]

Questions 26-29 refer to positioning economies on the following spectrum


All economic decisions made in response to free markets
No economic decisions made in response to free markets
A
B
C
D

26. A pure market economy would be positioned around point
[✓ A.] B. C. D.

27. A pure command economy would be positioned around point
A. B. C. [✓ D.]

28. The United States would be positioned around point
A. [✓ B.] C. D.

29. The Soviet economy would be positioned around point
A. B. [✓ C.] D.

30. An oligopoly refers to a market where
[✓ A. there are few sellers.]
B. there are few buyers.
C. there are few buyers and few sellers.
D. there are many sellers and many buyers.

31. Interpretations of the Sherman Anti-Trust Act have declared all but one of the following practices illegal:
[✓ A. price leadership]
B. price fixing
C. restraint of trade
D. creation of monopolies

32. The market mechanism is most successful in operating as theoretically predicted, when all but one of the following conditions exist:
A. many sellers
B. identical products
C. many buyers
[✓ D. production dependent on use of rare resources]

33. The price mechanism is used as a rationing or allocating device in a
    A. command economy.
    [✓ B. market economy.]
    C. traditional economy.
    D. all three.

34. In the United States the price of farm products such as wheat and cotton is determined by
    A. supply and demand.
    B. administrative order.
    C. big farmers.
    [✓ D. a combination of market forces and government control.]

35. In the USSR farm prices are determined by
    A. supply and demand.
    [✓ B. administrative order.]
    C. big farmers.
    D. a combination of market forces and government control.

36. The problems of Soviet agriculture are affected by all but one of the following:
    A. how to use available acreage more efficiently
    [✓ B. how to cope with poverty and surplus simultaneously]
    C. how to adapt advanced technology to the problems of farming
    D. how to encourage more people to go into farming

37. The market mechanism is likely to fail as a rationing device when all but one of the following conditions exist:
    A. one firm controls production
    B. production is strictly limited
    [✓ C. product is easily reproduced]
    D. virtually no buyers for product exist

38. A natural monopoly may be described as
    A. an industry in which companies operate under a special grant given by the government.
    B. an industry in which companies operate without artificial regulations set up by an appointed commission.
    C. an industry in which a single company owns all patents within a particular field of operation.
    [✓ D. an industry in which there is only one seller due to conditions inherent in the industry which make competition self-destructive.]

39. The major function of prices in the Soviet Union is to
    [✓ A. simplify planning.]
    B. ration goods.
    C. determine value.
    D. establish cost.

40. The present Soviet bonus system encourages factory managers to
    A. set production goals high and take a chance on not being able to meet them.
    B. set production goals realistically and do their best to meet them.
    [✓ C. set production goals low and hope to exceed them.]
    D. sacrifice quantity for the sake of quality.

Questions 41 through 44 refer to the following statements:

First speaker: "It seems only fair that those who work hardest and succeed in making the most money should receive the largest share of a country's goods."

Second speaker: "Your emphasis on hard work is commendable, but your attitude will shake the very roots of your society. Goods should be distributed among those whose families are accustomed to receiving such goods. They will know from experience how best to manage such possessions and they will insure a stable society."

Third speaker: "Neither of you understand human nature. If the welfare of society as a whole is to be protected, you cannot trust to the whims of individuals. Government itself must divide production. In this way the needs of the individual and of society can both be considered."

Fourth speaker: "You're all wrong. The division of goods among the members of a society is totally unimportant. For whom goods are produced couldn't matter less."

41. The statement of the first speaker is most likely to have been made by a person living in a
A. traditional economy.
B. command economy.
[✓ C. market economy.]
D. none of the above.

42. The statement of the second speaker is most likely to have been made by a person living in a
[✓ A. traditional economy.]
B. command economy.
C. market economy.
D. none of the above.

43. The statement of the third speaker is most likely to have been made by a person living in a
A. traditional economy.
[✓ B. command economy.]
C. market economy.
D. none of the above.

44. The statement of the fourth speaker is most likely to have been made by a person living in a
A. traditional economy.
B. command economy.
C. market economy.
[✓ D. none of the above.]

45. Individual entrepreneurs who have chosen to operate and profit from illegal capitalist ventures prove that
A. extreme pressures are put on Soviet factory managers by the secret police.
B. citizens of Soviet Russia are unhappy living under the Communist system.
[✓ C. some individuals in all societies are probably willing to pursue individual profit.]
D. Americans as a group are more moral than Russians.

46. The Soviet adoption of an incentive system indicates that
    - A. market economies are more efficient.
    - B. command economies only work in theory.
    - C. Russians are tired of doing without consumer goods for the sake of spurring industrial growth.
    - [✓ D.] individuals universally respond favorably to an opportunity to better their own position.

Questions 47 through 50 refer to the following quotations:

I. "This is my invention and what I do with it is my business."

II. "Although I created this invention, I did it under state sponsorship. It therefore belongs to the state and what is done with it will be for the state to decide."

III. "Start planning a campaign to introduce the public to the greatest invention of the decade - pine scented latherless soap."

IV. "That's a great invention. We'll plan to produce 100,000 units for summer consumption."

V. "Throw that invention away. It's good, but it will create change."

47. The statement most likely to be made by an individual living in a traditional society is:
    A. I B. III C. II [✓ D.] V

48. The statements most likely to be made by an individual living in a command society are:
    A. I & II B. II & III [✓ C.] II & IV D. II & V

49. The statements most likely to be made by an individual living in a market society are:
    [✓ A.] I & III B. I & V C. II & IV D. II & V

50. The statements that could have been made by individuals living either in a command or market society are:
    . I, II, III [✓ B.] II, III, IV C. III, IV, V D. I, III, IV

Lesson Plan: Reading 35

Subject Objectives: To know:

1. That in a pure market economy incomes which in turn determine distribution shares of the nation's production, are basically determined by supply and demand.
2. That distribution determined in this manner sometimes leads to inequalities.
3. That distribution systems free from all inequalities are probably impossible to achieve.

Skill Objectives:

1. Production of a Unique Communication (Bloom, 5.10)
2. Evaluation (Bloom, 6.0)

Procedures:

1. Call on less vocal members of class to present their plans.
2. After each plan is presented, call for class discussion either supporting or attacking the plan. Make sure that students see that plans may be appraised both on grounds of (i) their logic and practicality, and (ii) their appeal to the individual who is listening to them. That is, both logical analysis and personal values are relevant. With each discussion an attempt should be made to bring out practical difficulties of applying Utopian plans to the real world.

Lesson Plan: Reading 36

Subject Objective: To know:

1. that there are several different labor markets in a complex society
2. that within each market, wages are basically established by supply and demand
3. that the following factors may inhibit the free working of the forces of supply and demand in establishing competitive wages: (1) lack of mobility of much of labor, particularly unskilled; (2) lack of full information on existing wage rates, job availability, and job characteristics; (3) not enough total demand for labor (i.e., unemployment) at prevailing wages; (4) contract obligations and other factors prevent employers from cutting wages where surplus labor exists.

Skill Objectives:

1. Interpretation (Bloom - 2.20)
2. Extrapolation (Bloom - 2.30)

Procedures:

1. Ask students first what assumptions they felt Hicks had made in his theory concerning how wages are determined within a particular labor market. Call on as many students as necessary to bring out factors that might prevent the forces of supply and demand from working freely in establishing wages. (See subject objective #3). List these imperfections in markets as mentioned on the board or overhead projector. If all of the students failed to get the assumptions involved in the theory, ask questions such as "At the time Raymond was interviewed, if there was a job for him in Pittsburgh, Pennsylvania, would he have taken it? Why not?" etc. Continue asking such questions until you have developed a complete list of factors inhibiting smooth adjustments in the labor market.

    a. When this point is fully developed, put on overhead prepared transparency listing factors inhibiting the forces of supply and demand in establishing wages. Use transparency to reinforce points made in discussion and to pick up any points that might have been missed.

2. Do these factors inhibit all labor markets equally? (Discussion here should bring out the facts that as labor becomes more educated and skilled, it also becomes more mobile, more informed about job conditions and job availability within its own market, but less "substitutable" one for the other.)

3. Does this mean wages are really not set by supply and demand? (Students should be led to see that wages are basically set by the forces of supply and demand and that the inhibiting factors usually serve to create distortions that can still be handled through the supply and demand analysis. For example, a bricklayer in Pittsburgh might get more than a bricklayer in New England partly because the latter is immobile and doesn't move into the Pittsburgh area (i.e., does not increase the supply in Pittsburgh and hence tend to pull wages down there.)

FACTORS INHIBITING FORCES OF SUPPLY AND DEMAND IN ESTABLISHING WAGES

1. LACK OF MOBILITY OF MUCH OF LABOR MARKET, PARTICULARLY UNSKILLED
2. LACK OF FULL INFORMATION ON EXISTING WAGE RATES AND JOB OPPORTUNITIES
3. EMPLOYERS NOT CONSIDERED EQUALLY ATTRACTIVE BY LABOR
4. WORKERS WITHIN SINGLE LABOR TYPE NOT ALL EQUALLY ATTRACTIVE TO EMPLOYERS
5. CONTRACT OBLIGATIONS PREVENT EMPLOYERS FROM CUTTING WAGES WHEN SURPLUS LABOR EXISTS

(follows Reading 36)

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT IX

John Smith, an electrician, works for the Sona Electronics Company in Middletown, Vermont. You are a team of investigators who are planning to visit Middletown to determine whether or not Smith's wages have been set as a result of perfectly competitive market conditions.

A. Decide as a group on the pieces of information you will want in order to reach your decision on whether or not Smith's wages are competitively determined.

B. For each piece of information in part (A) of your answer, give some indication of how you would expect to get the desired information.

Subject Objective: to know

1. that the profit motive stimulates change and technological progress in the market economy.

Skill Objectives:

1. Analysis of Elements (Bloom 4.1)

Procedures:

1. Play slide-tape of Profit Motive
2. Give five-minute objective test
3. With whatever class time is left, discuss:
   - A. function of profit motive in market society (regulates market mechanism)
   - B. source of profits (efficiency, innovation, sudden changes in demand)
   - C. cost to market society of permitting unregulated race for profit (survival of the fittest philosophy creates hardships for those less able to compete successfully)
   - D. student concepts of ideal balance

Materials: Slide Tape: Profit Motive

Slide-Tape, PROFITS - MARKET SYSTEM (with Reading 37)

Picture ①

Tape

". . .in a free enterprise system there can be no prosperity without profit. We want a growing economy, and there can be no growth without investment that is inspired and financed by profit."

The story of the profit motive might well begin where the feudal system ends. ② Thirteenth century towns, entrenched behind high, towered ramparts produced a new class of society, - profit-seeking merchants and craftsmen.

③ By the fifteenth century great change had taken place in Europe. The spread of industry was reflected by the increase in wealth and comfort. ④ Cities such as Florence had shed all vestiges of medieval times and had entered an era of unprecedented splendour.

⑤ German towns also reflected the growing prosperity. Merchants grew rich through foreign trade. The foreign market was flooded with all kinds of little wooden novelties manufactured in Nuremberg: ⑥ attractively painted boxes, delicate ivories, children's toys, clocks, musical instruments.

⑦ Towards the end of the reign of Queen Elizabeth I, small English seaport towns reached a peak of unprecedented wealth and activity. Almost overnight England became a seapower - a fact that was to influence every aspect of English life. ⑧ During the next two centuries venturesome traders established commercial liaison with the Far East and the Americas. ⑨ By 1765, London's port had become the largest in the world and many ships could be seen unloading spices, tobacco, silks and, of course, tea. English ports were also busy with passenger traffic as large numbers of emigrants left England to people the colonies.

At this same time, England was going through the initial stages of an industrial expansion. (10) In 1769 Arkwright patented his hydraulic loom and in that same year James Watt's steam engine was also patented. (11) This new mechanical power was to have a profound influence on the lives of all succeeding generations.

(12) By mid-nineteenth century, the United States, as well as western Europe had committed itself to an era of innovation stimulated by man's search for profit. Cities grew in the east. Free land and the discovery of gold lured pioneers to the West. (13) Railroads were being built to link together the cities of America.

As the pace of material progress increased, one invention led to another and the desire for profit translated these inventions into products the consumer wanted. (14)

Railways became formidable rivals of the stage-coach, and as greater speed and comfort were achieved, more and more people wanted to travel. (15) By 1895 interest in the new-fangled automobile began to rise and by 1915 several million cars had been sold at a profit in the United States alone. (16) Cities of the world began to change in appearance. Sudden expansion multiplied the distances people had to travel to their work (17) and many forms of public transportation became essential. Horses (18) were replaced by steam, soon to be followed by the electric streetcar that was followed, in turn, by the motor bus (19) .

(20) The rapid concentration of large numbers of people in cities created great problems concerning how to meet their everyday needs and these problems, in turn, created far reaching opportunities for those in search of profit. It became vitsl to be able to preserve, transport and distribute food easily, to produce and distribute in quantity the many items formerly produced in the self-contained home.

And as innovations encouraged profit-seekers to gamble on the future, ㉑ these new industries created jobs and these jobs created customers and the products of ㉒ these new industries began to appear in homes throughout the industrialized world.

The rapid development of industries and the consequent growth of cities had negative, as well as positive effects. ㉓ The enormous increase in the population of large cities forced newcomers to find lodgings wherever they could. Speculators made quick profits out of the desperate need for housing, and old houses bulged ㉔ with several times the number of people they had been designed to accommodate. ㉕

The first World War accelerated the pace of innovation. Airplanes, in the experimental stage at the beginning of the war, established a new industry by the end of the war. ㉖ Shortly after the war, the movie and radio industries were launched and in the race for profits, improvements in both fields came at incredibly rapid rates. By 1929 ㉗ the first shaky television reproductions could be seen.

In a market economy, industrial development depends upon men seeking profit to stimulate change. Between 1870 and 1938 the industrial output of the world increased tenfold. ㉘ In the year 1910 Americans reached a peak of production that equalled that of all Europe put together. Increased mechanization, the assembly line, time and motion studies - all introduced in the search for greater profits - combined to increase the pace at which the industrial transformation was taking place.

But not all who seek profit, find it. ㉙ Every year many businesses fail. In 1929 so many failed so fast that the entire economy was dealt a paralyzing blos. ㉚ The depression produced attempts to couple the private, unregulated search for profit with a parallel search for some stability and even for some minimum economic security for all. ㉛ The law-makers of the day said in effect that the profit motive should continue to guide most activities, but that society should also protect itself against the worst of the abuses that had arisen in the past.

The new laws in introducing an element of caution, also eliminated an element of risk, ㉜ Yet profit seekers continue to take risks ㉝ in the search to create and meet consumers' demands. Sometimes they win. Oftentimes they lose. Some of the products introduced in the search for profit are frivolous ㉞. Some prevent tragedy ㉟. Some ㊱ relieve existing problems. Some ㊲ create new problems. But all, in their success or failure, make it clear that much of the control of the market society is in the hands of the consumer ㊳ who votes, every time he busy - who decides with his vote what products will turn out to be profit makers, what products will turn out to be losers, who shall succeed and who shall fail.

You may not always agree with the way consumers choose to vote, but you know the final vote is theirs - and however they vote today, they're always free to change their votes tomorrow.

㊴

> "When shallow critics denounce the profit motive inherent in our system of private enterprise, they ignore the fact that it is an economic support of every human right we possess and without it, all rights would soon disappear."

GENERAL PICTURE DESCRIPTION FOR SLIDE TAPE:

PROFITS - MARKET SYSTEM

1. President John F. Kennedy
2. Aerial view of European walled city
3. 13th century painting of merchant guild
4. Renaissance painting of Florence
5. Exterior view of 15th century commercial buildings
6. Woodcut of 15th century manufacturing
7. Exterior view of street in English seaport, showing shops

8, 9. 18th century contemporary scenes of shipping activity, ports, harbors

10. Model of Arkwright's loom
11. Early steam-powered engine
12. 19th century transportation scene (canals, railroads, etc.)
13. 19th century railroad scene
14. Early automobile

15-19. Late 19th-early 20th century urban scenes showing use of street cars, automobiles, busses, subways, elevated tracks, horse-drawn vehicles

20. Late 19th century market distribution center

21, 22. Early telephone, electric light, in homes.

23. New York City immigration scene, late 19th century

24, 25. Slum tenement housing, early 20th century

26. Early radio broadcasting room
27. Early TV set
28. Early assembly line (Ford Motor Co., for example)
29. Store showing "Going out of Business" sign in window
30. Soup kitchen, bread lines, depression
31. Congress
32. New product advertised
33. Very successful or unsuccessful product advertised
34. Recent, successful fad, game, toy, etc.

35, 36. Medical device, safety equipment, etc.

37. Radioactive warnings
38. Shoppers
39. President Eisenhower

COMPARATIVE ECONOMIC SYSTEMS

Objective Test
(Readings 34-37)

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question, choose the best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer to each question. YOU WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.

1. All but one of the following is likely to create an inelastic demand
   *A. the price of the object is small
   B. your need is urgent
   C. good substitutes are unavailable
   D. the object is needed to be used in conjunction with some other product you already own.

2. Profits do not normally result from:
   A. managerial efficiency.
   B. increasing consumer demand.
   *C. placing part of a firm's capital funds in a non-interest bearing account to protect against total loss.
   D. introduction of successful new inventions.

3. The response of wages to the forces of supply and demand is affected by all but one of the following:
   A. lack of free flow of communication concerning labor market
   B. labor's immobility
   C. unwillingness of employers to adjust current wages to supply and demand
   *D. perfect interchangeability of units of labor

4. In a growing market economy, profits serve all but one of the following functions:
   A. To reward entrepreneurs for success under unusual risk conditions
   B. To act as signals to entrepreneurs to move more resources into a particular industry
   *C. To permit monopolists to make the best of their market position
   D. To provide part of the funds for future investment in an industry

5. In a market economy, the share of the nation's production going to any one factor of production will be most affected by:
   *A. the contribution of that factor to the total production.
   B. the amount needed to provide a reasonable standard of living for those who own or sell that factor.
   C. the number of people who own or sell that factor in the market.
   D. the laws prevailing at any moment of time.

6. The share of national income going to the owners of farm land in Iowa would be affected by:
   A. the amount of arable land in Iowa.
   B. the demand for corn and hogs.
   C. the development of new fertilizers that improve soil quality.
   *D. All of the above.

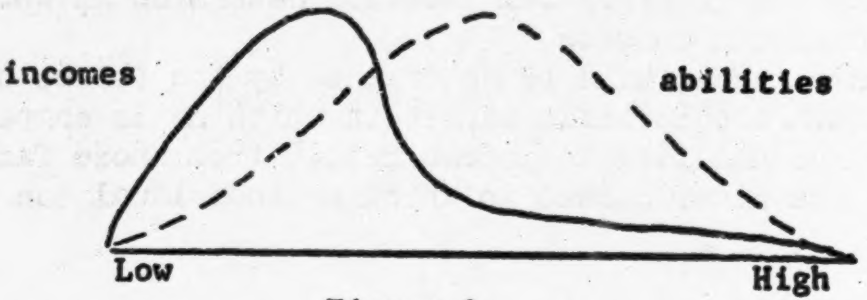


Figure 1

7. Figure 1 indicates that
   A. Peoples' incomes are proportional to their abilities.
   *B. Income is distributed much more unequally than ability throughout the population.
   C. People earning low income are probably low ability.
   D. People having low ability are likely to earn low incomes.

8. National income currently is divided
   A. evenly between wages, rent, interest and profits
   B. about 1/3 to wages, rent and interest with 2/3 going to profits.
   *C. about 2/3 to wages and 1/3 to rent, interest and profits.
   D. about 2/3 to wages and profits and 1/3 to rent and interest.

9. Total national product refers to
   A. the money value of everything a nation ever produced.
   *B. the money value of all goods and services produced within a country during a specific period of time.
   C. the real value of all goods and services produced within a country as measured by their contribution to peoples' wellbeing.
   D. the money value of the physical goods produced within a country in a specific period of time.

10. In a market economy, the persistence of unusually high profits in any one industry would tend to indicate:
    A. a very prosperous economy.
    B. excessive greed on the part of the entrepreneurs in that industry.
    C. a recent exit of some producers from that industry.
    *D. imperfect conditions of entry by new producers into that industry.

Subject Objective: To know

1. That in the United States there are several markets for labor.
2. That a number of factors including skill, education, occupation, race, age, health and geographical location determine in which labor market an individual can compete.
3. That a man's income will be determined by the forces of supply and demand within the specific market in which he is competing.
4. That many inequalities in income result from those factors that determine the labor market in which an individual can compete.

Skill Objective:

1. Interpretation of Graphs and Charts (Bloom 2.20)

Procedures:

1. Go over each of the charts given in the reading quickly discussing the questions following each chart and clarifying any problems of interpretation on the part of the student.

2. Leave ample time to develop the following:

   A. From studying these charts as a unit, would you say all labor in the United States was competing in the same market? (No, there are several different markets in which labor competes.)

   B. What characteristics determine the market in which an individual can compete? (Education, occupation, race, area of country in which worker lives). Could you suggest other factors that would limit the labor market in which an individual could compete? (Might try through discussion to bring out limitations of age, health, ability, and knowledge of alternative markets.)

   C. Is an individual's income affected by the labor market in which he can compete? (Yes. Some labor markets offer rewards much higher than those of other markets. For example, the market for lawyers offers higher rewards than the market for carpenters.)

   D. Does this imply that the market mechanism (i.e., the forces of supply and demand) have no real influence in determining income? (Within each market, the laws of supply and demand operate unless inhibited by factors such as immobility of labor or legal restrictions.)

Table I

1. There has been an upward movement of income, more going to the top bracket, less to the bottom bracket.

Table II

1. About $1,000
2. Over $2,500
3. Over 150%
4. Around 60%
5. 1939-1950, professional and managerial incomes advanced about 96%
   1950-1961, professional and managerial incomes advanced about 75%
   i.e., one might infer from these figures that in the past decade the slowing down of gains on the part of the unskilled and the increased rate of gain on the part of the skilled might suggest a relative oversupply of unskilled workers and an undersupply of trained and educated workers.

Graph I

1. professional men and managers
2. farmers and unskilled laborers

Table III

1. In general, occupations requiring greater skill and education command greater incomes.
2. All labor does not compete in the same labor market. Competition within each market for labor responds to supply and demand within its own market so that potential earnings in one labor market could be considerably different from potential earnings in another market for labor - lawyers compete against other lawyers; doctors against other doctors.

Table IV

1. As individual's educational background increases, so does the likelihood of his receiving a larger share of total national wealth.
2. Yes. Same as answer to Table II, 2.

Table V

1. No
2. This is not a consequence of competitive market forces. This inequity results from social pressure, not market pressure.

Table VI

1. Yes. Might discuss areas of country in which man most likely to earn least; areas in which he will earn more.
2. If labor were completely mobile, supplies of labor would tend to move to those areas where income is higher. It is because labor, particularly unskilled, tends to be immobile, that the national market for labor is sluggish in responding to the forces of supply and demand.

Table VII

1. Farm wages are considerably lower than industrial wages throughout country. Point out section of Table VIII that gives farm wages without board and room to dispel notion that farm laborers do not need as much cash because they don't have to pay for food and lodging.

Subject Objective: To know:

1. that non-whites in all sections of the country earn less income than whites in all occupations.
2. that the total economy suffers from such inequities.
3. that economically sound solutions to this problem are difficult but not impossible to achieve.

Procedures:

1. Put tables I and II on overhead and ask question "Does race affect a Man's share in total income?" Firmly establish that it unquestionably does in all areas of the country.
2. Then allow 10 minutes to read class handout and write paragraph described on handout.
3. Have 2 or 3 students read their paragraphs. If some of the paragraphs read stimulate fruitful discussion, this might be pursued. If student reads a paragraph indicating he does not think any of the proposals will help to solve the problem, use this as a springboard for class discussion on student devised plans for solving this problem. Discussion should be used to indicate that despite complexity of problems involved, economically sound solutions are possible.
4. Class should be arbitrarily divided into two parts. Half of the students should be assigned the affirmative position on the debate topic proposed in tonight's reading , the other half should prepare to debate the negative.

Class Handout for Day 39

Several proposals have been advanced to equalize the non-white worker's ability to compete in the labor market. Three such proposals for federal government action are briefly described below. Read these proposals. Compare them with the proposal made by Loren Miller in last night's reading. Decide which proposal you think would be most effective in solving the problem of racial inequality in the distribution of national income. Write one paragraph explaining why you choose to support one proposal above the others. BASE THE EXPLANATION OF YOUR CHOICE ON ECONOMIC (NOT ETHICAL) REASONS. Show in your paragraph that you considered both the pros and the cons of the proposal which you favor on balance. (If you think none of these suggestions is worthy of your support, explain why you have come to this conclusion.)

Proposal A:

Employers with more than 100 employees and with activities affecting interstate commerce would be prohibited from discriminating on the basis of race, sex, national origin or religion in their hiring practices. The law would be extended gradually until it covered employers with 25 or more employees.

Proposal B:

Since the non-white has so long been barred from many jobs, this injustice can be corrected only by federal legislation involving positive discrimination in favor of him. Consequently, whenever an employer has an equally qualified white or non-white applicant for a job, he must choose the non-white until his percentage of non-white employees in each job category equals the percentage of non-whites in the total community.

Proposal C:

The non-white has been handicapped in the labor market not only because of his race, but because of inferior educational opportunities. To equalize his opportunities, the government must help equalize his ability to compete by allocating large amounts of money for the purpose of upgrading the schools in areas where there are large concentrations of non-white students.

TABLE I

HOW DOES RACE AFFECT A MAN'S SHARE IN TOTAL INCOME?

OCCUPATION	MEDIAN EARNINGS	
	WHITE	NON-WHITE
NGINEERS	$7,452	$7,076
EDICAL & OTHER HEALTH WORKERS	7,953	4,642
CHOOL TEACHERS	5,701	4,450
ARMERS & FARM MANAGERS	2,324	788
ANAGERS, OFFICIALS & PROPRIETORS	6,719	3,869
AIL CARRIERS	5,309	5,101
ALES WORKERS	5,306	2,809
ONSTRUCTION CRAFTSMEN	4,839	2,855
OREMEN	6,651	4,791

TABLE II

REGIONAL DIFFERENCES IN INCOMES, 1959

STATE	AVERAGE INCOMES		NEGROES' INCOME AS % OF WHITES'
	WHITES	NEGROES	
UNITED STATES (OVERALL)	$4,337	$2,254	52%
NORTHEAST			
MASSACHUSETTS	4,452	3,063	69
NEW YORK	4,812	3,372	70
PENNSYLVANIA	4,369	3,246	74
NORTH CENTRAL			
OHIO	4,903	3,492	71
INDIANA	4,483	3,520	79
ILLINOIS	5,056	3,651	72
WEST			
CALIFORNIA	5,109	3,553	70
SOUTH			
KENTUCKY	2,938	1,787	61
FLORIDA	3,769	2,080	55
TEXAS	3,756	1,916	51
GEORGIA	3,420	1,510	44
LOUISIANA	4,001	1,609	40
MISSISSIPPI	2,796	904	32

Lesson Plan, Reading 40

Subject Objective: To know that

1. while economists agree that the existence of poverty is detrimental to the total economy, disagreement exists as to how poverty can best be eliminated.

Skill Objective:

1. Ability to express point of view effectively (Bloom 5.10)

Procedures:

1. Allow 5 minutes for objective test.

2. Call on any student who has prepared the affirmative side of the assigned question to present his case. Tell those who have prepared to defend the negative that they should take notes as the affirmative is presenting his case and that they will be given opportunity to refute the position. Limit presentation to 5 minutes.

3. Call on a student who has prepared to defend the negative position to refute points made by the affirmative. Limit him to 5 minutes too.

4. After the negative has used up its time, permit further affirmative speakers up to 2 minutes each to clarify points attacked by the negative. Then allow other negatives to defent and clarify their case against attacks of the affirmative speakers.

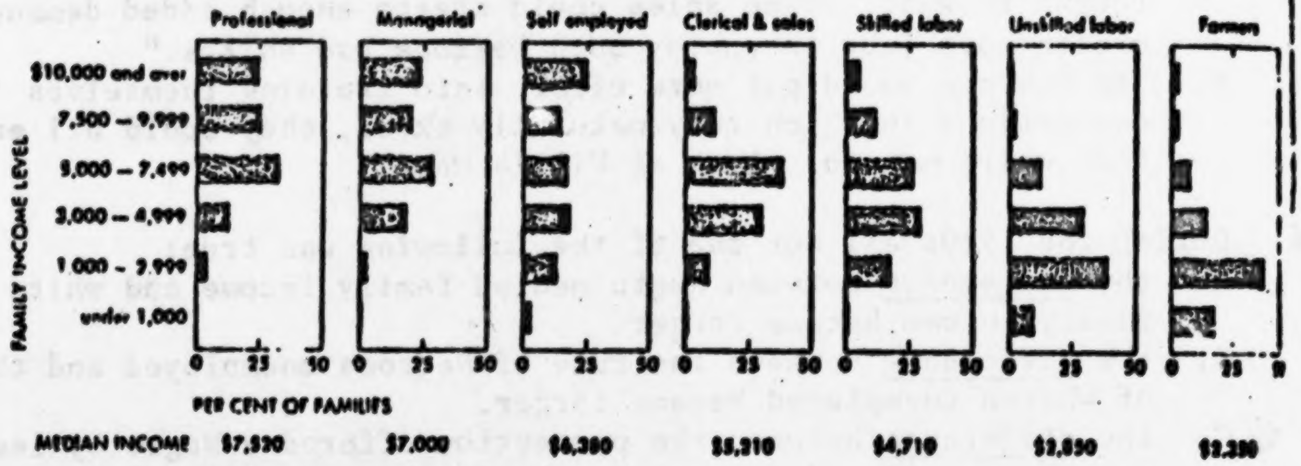
In this lesson the instructor should make no attempt to guide the students toward a consensus of opinion of any kind. Let all students present and defend their own points of view. In the independent activity period this week they will be given another opportunity to grapple with this problem and that exercise will be designed to offer them an opportunity to modify their views with an eye toward committee or group acceptance.

COMPARATIVE ECONOMIC SYSTEMS

Objective Test
Covering Unit IX

DO NOT WRITE ON THIS EXAMINATION SHEET. This quiz will last 5 minutes. For each question, choose the best of the four suggested answers. Mark an X through the corresponding letter on the answer sheet given you. Give only one answer to each question. YOU WILL BE GIVEN NO CREDIT FOR QUESTIONS FOR WHICH MULTIPLE ANSWERS HAVE BEEN GIVEN.

Questions 1 - 3 refer to Figure I



1. **Figure I indicates that:**
   - **A. Over 25% of all families deriving their incomes from unskilled labor earn $2,850 a year.**
   - **✱B. There are as many families deriving income from unskilled labor earning over $2,850 as there are earning less than $2,850.**
   - **C. The average family deriving its income from unskilled labor earns $2,850.**
   - **D. A family deriving its income from unskilled labor can never hope to earn as much as $10,000 a year.**

2. **Figure I does not indicate whether an individual's income**
   - **A. is affected by his choice of occupation.**
   - **B. is affected by his level of training.**
   - **C. is affected by his education level.**
   - **✱D. is affected by his willingness to work hard.**

3. **"Fellow workers, you might as well face it. No matter how hard we work, more of us will end up with less money than workers in any other group." This statement could most accurately be made by:**
   - **A. Clerks and salesmen.**
   - **✱B. Farmers.**
   - **C. Managers.**
   - **D. Unskilled laborers.**

4. **In the United States an individual draftsman's wage is basically determined by**
   - **✱A. the total number of qualified draftsmen available for employment in a limited geographical area and the total number of drafting jobs available to them.**
   - **B. the total number of people in the national labor force and the total number of jobs available nationally.**
   - **C. the total number of draftsmen available nationally and the total number of drafting jobs available nationally.**
   - **D. the cost of living for the average draftsman.**

5. Which of the following statements is most easily justified in economic terms?
   A. "If Negroes would stick to their own communities and buy in their own stores we'd avoid a lot of trouble and everybody would earn more."
   B. "The 19 million Negroes living in the United States can't buy enough to affect the economy one way or the other."
   [✓ C.] "If Negroes earned enough to buy the things Americans have been taught to want, these sales could create enough added demand to create more jobs to employ both Negroes and Whites."
   D. "If Negroes would put more effort into training themselves for those occupations in which they naturally excel, they could all earn more than white men do. Look at Willie Mays."

6. During the 1950s all but one of the following was true:
   A. the difference between Negro median family income and white median family income became larger.
   B. the difference between the rate of Negroes unemployed and the rate of whites unemployed became larger.
   [✓ C.] the difference between the protection offered a Negro by law and the protection offered a white man by law became larger.
   D. the difference between a Negro's having a chance to earn over $10,000 a year and a white man's having a chance to earn over $10,000 a year became larger.

7. If color barriers were eliminated immediately by law and all laws were faithfully enforced:
   [✓ A.] much improved educational background would still be needed to raise many Negroes to a competitively equal basis.
   B. all Negroes would be in an equal competitive position with all whites for all jobs.
   C. most Negroes would move immediately from unskilled to more desirable skilled jobs.
   D. wages would generally be depressed.

8. Statistics show that poverty is most likely to be found among those who
   A. live on the West Coast.
   B. live in big cities.
   C. are sales workers.
   [✓ D.] have less than an eighth grade education

9. Poverty in the United States is a product of:
   A. the natural workings of any market system.
   B. imperfections in the functioning of our markets.
   [✓ C.] both (A) and (B).
   D. neither (A) nor (B).

10. All but one of the following are advantages of an attack on poverty financed exclusively through private funds.
   A. It will not increase taxes.
   B. It prevents the poor from becoming too dependent on government help.
   [✓ C.] It reaches the maximum number of people.
   D. It prevents government interference in free enterprise.

(follows Reading 40)

INDEPENDENT ANALYSIS PERIOD ASSIGNMENT X

Your group has been appointed to plan and administer an Anti-Poverty Program designed to get at the very roots of the causes of poverty in your community. In order to plan how best this might be done, you must first decide what those basic causes of poverty are in your own community. Having done this, your committee must now decide how you plan to attack those causes of poverty. Should this be done by private groups? government agencies? a combination of both? What costs are associated with your proposal(s)?

On your decision making forms indicate how your plan to eliminate the causes of poverty will operate and why your group feels your plan offers the best attack on the problem.

STATEMENT OF PURPOSE

The teaching of social studies has many problems, not the least of which is the controversial nature of much of the material with which it must deal. Too often, the procedure followed by the uninformed in taking sides on a controversial issue is to let emotions alone be one's guide; to believe all "facts" that support one's preconceived notions and disbelieve those that tend to discredit that position. It is easy to scoff at this description as a serious approach to opinion formation or problem solving, but it is very difficult to do anything about it.

Teaching students to analyze controversial social or economic problems is complex under the best of circumstances. Even when working with advanced students with some subject matter background, the teaching function is complicated by the need to cope with preconceived truths and half-truths that subtly dominate the student's mind. To confuse the search for an approach to forming valid opinions on controversial problems still more, the real world in which these problems exist is constantly changing; while the student ponders the choice between alternatives, circumstances can be creating new alternatives or altering the possible consequences of known alternatives so that any attempt to teach an approach to sound opinion formation must be open-ended and conducive to change. Finally, the teaching problem is still further complicated by the fact that the opinion being formed frequently involves choosing between two objectives or values, both of which the student considers desirable. And yet, despite these complexities, the need to form opinions is the cornerstone of any free society.

Many students required to take a ninth grade social studies course will not go beyond high school and will never again be exposed to a course in either government or economics and yet they will be asked to vote for candidates favoring one side of an issue or another. Without an orderly approach to analyzing controversial issues, the voter may have no choice but to form his opinion on emotional or irrational grounds.

There are, however, certain fundamentals that can be taught at the ninth grade level that could serve as tools for more rational opinion formation. In the next unit, tools for use at the simplest level of opinion formation will be introduced. This approach to opinion formation was developed on the basis of the following premises:

1. An opinion on controversial social or economic problems involves choosing between two or more objectives which, frequently, are mutually desirable to the individual making the choice.

2. The uninformed must base their opinions in large measure on an evaluation of which authority they choose to believe.

3. Because the world in which opinions are formed is continually changing, and because in this changing world individual objectives change, opinions should always be seen as open for reevaluation as new information becomes available.

If one accepts the premises listed above, the teaching of opinion formation falls into two parts:

1. The teaching of tools for analyzing the relative reliability of authorities.

2. The teaching of the concept that opinions must be open to change to keep them responsive to additional information and changing values.

Lessons 40-47 represent an attempt to translate the objectives outlined above into ninth grade teaching material. This unit should be considered as a whole. Each lesson follows from the one preceding it and builds a structure for the one to follow.

We are particularly anxious to receive comments on either the individual lessons or the total unit. In addition to the customary lesson evaluation sheets following each lesson plan, you will find an additional sheet following lesson plan 47. On this sheet please note your comments and criticisms of the total unit. While this unit is being taught there will be no provision for a planned fifth day independent activity period.

NOTE: Lesson Plan for Reading 41 does not correspond with Reading 41.

A new lesson was prepared, but no plan prepared to go with it.

Subject Objectives:

1. To present some background for understanding current labor controversies.
2. To indicate that government favor can alter the balance of forces in the market mechanism.
3. To indicate that, despite restraints, ordinary negotiations between unions and industries are settled within limits determined by the normal forces of supply and demand within the labor market.

Skill Objective:

1. Interpretation of material (Bloom 2.20)

Procedure:

1. If the conflict between the Ford Motor Company and the United Automobile Workers had taken place without involving the government in any way, how do you think the conflict would ultimately have ended? (The points being made here are twofold. The obvious point is that the market mechanism operating without control will favor the strongest competitor. It is hoped, however, that some student will go beyond this to note that complete freedom of operation is impossible as the very attitude of the people in power affects the market operation. It is not important, however, that this point be made if it does not come spontaneously from the class.)

2. Have a few students read their answers to the Reading 40 thought question: "What was the determining factor in the outcome of the conflict between the Ford Motor Company and UAW?" If the answers do not point to the role played by the government in the settlement of this conflict, you might want to follow a line of questioning such as: "To what extent did the government influence the outcome of the conflict between the Ford Motor Company and the UAW? If this struggle had taken place during the 19th century, or even the 1920's, what would the likely outcome have been? (The point here is that the weight of government approval or disapproval is sufficient to change the outcome of conflict between labor and management.) Does this mean that when the government takes a position favoring labor or management, the market mechanism ceases to operate?" (Don't spend more than 5 minutes developing procedures 1-2. These points are pretty clearly made in Reading 40 and are only preliminary to the development of subject objective 3.

3. Select 4 students to play the parts of Mort, Lloyd, Louie and Manny in reading the script for "The Norrington Case" to the class.

4. When the script has been read, ask questions such as "Did the market mechanism play any part in the negotiations between the Norrington Company and the International Union?" (The point to be brought out is that the outside limits within which labor and management make agreements are set by the normal forces of the market mechanism although the specific settlement within those limits reflects the strength of labor and management and the direction in which government force is applied.)

5. During the last 5 minutes of the period pass out class handout. Ask students to indicate the date and their position on the spectrum indicating in one or two sentences why they think as they do. Collect and save these.

To accompany Reading 41

Script for THE NORRINGTON COMPANY Case

Management:
Morton Capp, Vice-President for Production
Manny Woods, Director of Personnel
Labor:
Lloyd Willers, International Union Representative
Louis McAdam, Local Union President

Mort: Everybody here? Let's start. As I understand it, Lloyd, we've agreed to try once more to settle the wage question. Manny and I went over the whole contract again yesterday and it seems as if we've reached an agreement on everything for the new contract except for the wage question.

Lloyd: Not so fast, Mort -- we've agreed tentatively to all of the other things. But we clearly reserved the right to back out again on some of those other items if we don't get what we want on wages.

Mort: Well, what I meant was --

Lloyd: You haven't been generous with us on one single issue so far and, unless you come up with a handsome wage hike, we can't get the men to accept the few crumbs you're handing out.

Mort: Come on, Lloyd, we've been over all that ground before. It's a good contract we're giving you.

Louie: It's a lousy contract. Lousy! I'd be ashamed to ask the boys to vote on what you've given us so far.

Manny: Compare it with any other contract -- and it's a good one.

Mort: Hold it, Manny - we're not going back over that again. We're here to talk about wages.

Lloyd: That's right. Let's stay on the subject or we'll be here until Christmas.

Louie: The heck we will. We get a good contract soon or we hit the bricks (i.e., go on strike).

Lloyd: What have you got to offer, Mort?

Mort: Well, I'm pretty sure that we can settle this here today. I'm authorized to go a long way to meet you -- a lot further frankly than I think is safe for the company in view of the market and our profit position. But we want to get this settled and to get on with our jobs. So we're ready to stretch ourselves a bit and close the deal.

Lloyd: Ok. -- how much?

Mort: I'm authorized to say that if you take the rest of the contract we can give you two cents an hour across the board.

Lloyd: Two cents? You're kidding!

Louie: Big deal! -- all this talk and now we get two lousy cents!

Mort: Two cents an hour now and -- and a further two cents an hour a year from now. That will give us a two-year contract, a good contract too.

Louie: Lloyd, I say again - let's hit the bricks. Two cents is chickenfeed.

Mort: It's not two cents. It's four.

Louie: I say it's two. And I say it's no use talking any more.

Lloyd: Wait a minute, Louie. Mort, let's be reasonable about this. We came in here at first with a sober and well-documented case for an increase of fifteen cents an hour. We think you can pay it without it hurting you. We think we're entitled to it on the basis of productivity. And we think the boys need it to live decently at today's prices.

Mort: Fifteen cents is sheer pie in the sky. We couldn't stay in business a week if we paid you that.

Lloyd: We don't agree -- you've given us that line before. But we don't want to be unreasonable. We want peace as much as you do. I can't guarantee that the local will accept it but, just in the interests of harmony, I'm willing to try to get them to settle for thirteen cents.

Manny: Thirteen cents?!!

Lloyd: Yes, thirteen. It's less than we're entitled to, but . . .

Manny: You're crazy - the whole lot of you are raving mad if you think that we -- look, that four cent offer is a good deal.

Louie: Thirteen or nothing.

Manny: Four.

Louie: Thirteen.

Manny: Four.

Lloyd: We're not getting anywhere. Let's try again. How about twelve cents?

Louie: You'll never sell that in the shop, Lloyd. Let's hit the bricks.

Mort: I'm not authorized to go one cent higher. But I tell you what I'll do. If you'll settle here for five cents on the line, I'll go back to the boss and see if I can get him to agree.

Louie: Twelve or nothing -- but it should be thirteen at least.

Manny: Five.

Louie: Twelve.

Manny: Five.

Mort: Let's be reasonable. Five cents is as much as this company can possibly give.

Lloyd: Then how come the Atwater Company is paying $1.90 for common labor?

Mort: We're not talking about Atwater. We're talking about this company, and I say . . .

Lloyd: Why can't you pay $1.90 an hour if they can?

Mort: I've told you that before but I'll tell you again if it will help settle the affair. We've showed you our profit record -- last year we cleared $210,000 after Uncle Sam finished with us, and that was on sales of over $8 million. That's only about 2½% profit on sales -- and you can't run a business on 2½% profit. You guys know that as well as we do.

Lloyd: I know Atwater's paying $1.90 -- that's what I know. And if we took your miserable 5¢ offer, we'd be settling for $1.85 for common labor.

Mort: Now, wait. Let's stay on the subject. We were talking about profits. We'd love to pay you more . . .

Louie: Like you'd love a fly in your soup.

Mort: We'd love to pay you as much as any other company, but we simply don't have the profits. We're in a highly competitive business. We can't increase prices so long as the other companies hold the line. And if the owners don't get a better return on their investment they're going to pull their money out of here. You've been around a long time, Lloyd and you know that as well as I do. It's simple economics.

Lloyd: Mort, I believe in profits -- everybody does. But I also believe in good wages. Besides, where do you get those numbers from? You toss thousands and millions around as if the numbers came right out of the Bible. We've never seen your books yet. Maybe you made three or four times as much as you said. How would we know? Maybe you've got it all hidden in depreciation or something.

Mort: Have we ever pulled a fast one on you?

Louie: Sure you did.

Mort: When?

Louie: 1947 -- you tricked us by those reserve figures --

Mort: In the first place, that was 17 years ago. In the second place, none of us here at the table except for you was even in on the bargaining that long ago. In the third place, I doubt if it ever happened anyway. And in the fourth place, let's forget it. Let's get back to business. We need profits to stay in business, and we're not getting them. So it's five cents an hour -- maybe six, but not a cent more. Period.

Lloyd: Your profits are fine. Two hundred thousand dollars is a lot of dollars.

Mort: It isn't nearly enough. Just look at one item: we've got to install an entirely new Burnham mill next year, and we need profits to pay for it.

Louie: Yeah -- and when you put the new mill in, there will go some more of our jobs. You guys want us to pay for our own funeral.

Manny: It's a funeral for all of us if we don't put the new mill in. All the competing plants are modernizing. If we don't do it, we're doomed.

Mort: It's as simple as that. There's one relevant issue here and that's a satisfactory profit record.

Lloyd: You sure change your tune, Mort. When we were in here two years ago, we wanted to talk about your profits which looked pretty good then. But you said that was irrelevant. All you'd talk about was some crummy plant that was paying less than you were. You said the "going rate" was the big thing.

Manny: And you've changed your tune. You said two years ago that profits were what mattered. Now when we want to talk about profits, you've started talking about "going rates."

Mort: That's right. And that "crummy plant" you were talking about was Atwater, by the way.

Lloyd: Ok. Let's talk about Atwater.

Mort: But you said then that what the other companies were paying was irrelevant.

Lloyd: I was wrong -- it's very important. It's the key to the whole thing.

Mort: Why?

Lloyd: Two reasons. If you don't pay as much as Atwater and the others, you're going to lose your best people to them. They'll be drifting over there first chance they get. And what's more, if you don't match those wages, you're going to have an unhappy shop. The boys won't put out for you if they're sore about wages.

Manny: Is that a threat?

Lloyd: It's no threat -- it's a simple statement of fact.

Louie: He's right. Do you think we could run on a ticket for reelection if we settled for less than they're getting at Atwater?

Manny: Ah, now, we see what the issue is. It's all politics. We pay you so you can get reelected.

Louie: I didn't mean that -- that's only part of . . .

Lloyd: So it's politics. Is that dirty? We can keep a union alive here and in good condition, to help you and us too, only if we're getting what economics and the market says we're entitled to. And the market says $1.90 -- as a minimum.

Mort: Tell me how we're supposed to pay . . .

Lloyd: Mort, look at it this way. We know you've got a couple of big new orders. You don't want a strike just now -- and we don't either.

Manny: You darn right you don't. Louie's members are already griping about too many hotheads in the union.

Louie: That's not so, Manny. There's always a few malcontents that gripe whatever we do; but most of the guys, the good ones, are ...

Lloyd: Lay off it, Louie. The simple fact is that neither side wants a strike. And you can avoid it, Mort, if you want to. All you got to do is offer us ten cents -- that will give us the same as Atwater.

Louie: Ten cents? That's a gyp, Lloyd. You'll never sell it.

Lloyd: I'll face that one when the time comes.

Louie: I'm glad you said you'll face it. I won't present that one to the union meeting.

Lloyd: The point is that, if Atwater can pay it and stay in business, you can too. These are good men you've got in your plant. You pay them $1.90 and they'll really produce for you.

Mort: I don't see how the boss could ever agree to that. But I tell you what. How about settling for seven cents?

Lloyd: Cut it out. Just one simple question: will you take the ten cent proposition to the boss?

Mort: He'll never agree.

Lloyd: Will you take it to him?

Mort: I don't see -- alright, I'll take it to him. But I don't promise you anything.

Lloyd: That's good enough for me. When can we meet again?

Mort: It won't take long. Tomorrow at the same time?

Lloyd: That's fine with us. We'll be here then.

Louie: I still think we should hit the bricks.

Manny: And I still think we should let you. It would clear the air.

UNIT X HANDOUT

Name ________________________________ **Date** ________________

Suppose you were a Representative in the United States Congress today. You are being asked to vote on a bill which would limit the size of any union to the employees of any one company. (For example, all employees of United States Steel could form a single union, but they could not be part of a larger organization that also included employees of Jones & Laughlin.

Mark on the spectrum below what your position would be on this bill at the present time:

Strongly in favor	**Moderately in favor**	**Undecided**	**Moderately opposed**	**Strongly opposed**

In one short paragraph, write why your position is as it is.

Subject Objective: To recognize

1. That a person having no informational background in a subject area can form an opinion in that area only by evaluating the opinions of others and choosing which opinion he prefers to believe.

2. That there are a few common tools that are helpful in evaluating the opinions of others.

Skill Objective:

1. Evaluation

Procedure:

1. The purpose of this lesson is to call to the attention of the student the fact that the uninformed are dependent upon the opinions of others for forming their own opinions and therefore should investigate the bias of a particular source before accepting the opinions of that source. You might start the period by letting them freely discuss the material they read last night. How helpful was it for forming opinions concerning the use of anti-trust laws for curbing union strength?

2. The students will probably catch some of the more obvious clues to bias such as the pressures on the NAM and CIO to support only one side of the controversy. They may not be sophisticated enough to catch the fact that controversial material offers degrees of bias, e.g., the fact that Sen. Thurmond has a long record of favoring business interests whenever they come in conflict with labor interests.

3. The remainder of the period might be usefully spent going over some of the readings sentence by sentence to get the student to see ways of analyzing material when he knows nothing about the background of the author or the source.

   Examples:

   a. First sentence, Thurmond exerpt: "There exists in our laws today..." By reading this sentence aloud, dramatically emphasizing the last part of the sentence and following it with a a reading of the first sentence, second paragraph, students can be made to see the Senator's tendency to overstate the possible consequences of adopting the course opposed to the one he is supporting.

   b. You might also have the students glance through the exerpts to see if they can find any "solid", "reliable" "facts" used in support of the opinions being expressed. If they do not, bring up the specific instances of union abuse of power cited in exerpt I. Read them aloud. Aren't these facts? If the class does not see the fallacy independently, lead them to see that generalizations cannot validly be made on the basis of a few instances.

c. You might ask the students what the three dots (...) found throughout the exerpts represent and lead them to see that the exerpts as given might have been distorted by the authors of this book by what was not included.

4. End the class discussion by asking students whether they were able to form an independent and valid opinion of the subject: "Should Anti-Trust Laws Be Used to Curb Union Power?" on the basis of last night's readings. The conclusion should be obvious that while they might have formed opinions, they were not very valid due to the limited nature and general unreliability of the material to which they had access.

5. Again leave time to pass out the handout. Again ask students to write the date and indicate their position in light of the opinion they hold today. Collect and save.

Subject Objective: to recognize that

1. in order to form valid opinions, information on which opinions are being based must be evaluated for reliability.

Skill Objective:

1. Analysis (Bloom 4.00)

Procedures:

1. Spend first part of period permitting students to discuss specific examples of printed materials they found questionable. Emphasis should be on why they questioned the things they did.
2. Towards the end of the period pass out Class Handout 43 on how to evaluate the relative reliability of material. Have students read. Anything mentioned here that was not brought out during early part of class? Can they find examples on the editorial pages brought to class of these criteria?
3. Announce that for tomorrow students are to see how many examples they can find of material that would rate relatively poor for reliability based on the tools for analysis suggested in the class handout.

Class Handout, Lesson 43

CRITERIA FOR RATING THE RELATIVE RELIABILITY OF INFORMATION

Just how dependable information can be considered is frequently very difficult to assess. One might envision the process of information evaluation as falling on a continuum ranging from material that is completely unacceptable to material that is completely acceptable to a particular individual, at a particular time, for a particular purpose. If you happened to be President Kennedy making a decision on what to do about the Cuban crisis, you might be very particular about insisting upon a high degree of reliability for any information you chose to accept as a base for making your decision. On the other hand, if you are a high school debater intent upon winning a debate, you might tend to accept information that strengthens your case regardless of its reliability. Material, therefore, can be evaluated as acceptable and reliable, or unacceptable and unreliable only in terms of each individual and the purpose for which he intends to use the material. For each individual, the key question in his mind is probably, "What are the consequences for me if this information is wrong?" (Apply that question to the example above of President Kennedy and the high school debater.)

More generally, material can, however, be evaluated in terms of criteria indicating reasons for questioning the validity of the information. The most reliable information you can bring to a subject is, of course, that which you have seen for yourself. Unfortunately, we rarely have the opportunity to observe for ourselves and, therefore, must depend upon the observations of others for information upon which to base our opinions. We must, as a consequence, have criteria in mind for checking on others' statements. These criteria might be categorized as follows:

A. Source of Information

   1. Is the source competent in the subject area in which information is being given?

   2. Is the source under pressure to support a particular side of a controversy?

   3. Does the source have a reputation for accuracy?

B. Is the information merely opinion or are opinions supported by "facts"?

   1. Are "facts" accurate and relevant?

   2. Are "facts" based on sufficiently large numbers of observations?

   3. Were observations on which "facts" based made independently?

   4. Did independent observers agree on "facts"?

5. Were observers under pressure to see "facts" in a particular way?

6. Were observers representative?

7. Do observers have a reputation for accuracy?

C. Were literary deceptions practiced in presenting information?

1. Does the author use vague or emotive (words having an emotional impact) terms?

2. Does the author tend to exaggerate?

3. Does the author seem to be slanting his material, that is, does the author seem to be ignoring all information that does not support his point of view?

4. Does the author appear to be drawing illogical conclusions? Does he imply as inevitable consequences that do not logically or necessarily follow from the stated facts?

Subject Objective: To present

1. Criteria for evaluating relative reliability of information

Skill Objective:

1. Knowledge of criteria for evaluating information (Bloom 1.24)

Procedures:

1. The class will undoubtedly bring in sufficient material for use in class to give practice in using the suggested tools for evaluating the reliability of information. If instructor wishes, however, he might fortify himself with examples of some of the more sophisticated types of deception and ask for class analysis of these. Students might be asked to read some of the examples of questionable material they found and other members of the class might be asked to specify what criteria for reliability are being violated. Or you might want to ask for specific examples of particular criteria and check with the class whether they all agree that these are indeed examples of the stated criteria. The purpose of this lesson is, of course, to give the student practice in using the criteria for evaluating the relative reliability of information. Any device you can think of to achieve this is a good one.
2. Announce test of students' ability to use criteria for evaluating relative dependability of information to be given tomorrow. Suggest familiarity with criteria for evaluation.

TEST OF STUDENT ABILITY TO APPLY CRITERIA FOR EVALUATING RELATIVE RELIABILITY OF INFORMATION

(To follow Reading 44)

(It is suggested that this test be used in place of an independent activity period assignment this week.)

This is a test of your ability to evaluate written material for degree of reliability. Not all of the statements that follow are questionable, nor need one assume that any of them are. Each block of information is to be evaluated separately. Below are listed by letter criteria for evaluating the relative reliability of this information. On your answer sheets, number your questions 1-20 to correspond to the numbers given on the test sheet. Indicate by letter which of the criteria for evaluating material is most useful in raising questions about each of the items. If, in your opinion, no serious question is raised by an item, put an 0 on your answer sheet after that number. (In some instances, more than one letter may apply; you should choose the one that seems most important to you in appraising the reliability of that particular item.)

CRITERIA:

O No major question raised about reliability

A Questionable source

B Information not adequately supported by fact

C Conclusions or facts based on questionable observations

D Use of vague or emotive terms

E Exaggeration

F Slanting

G Illogical conclusions

1. "...The argument is made that unions are too powerful; that they act as monopolies; and ...(therefore) they should be under the jurisdiction of anti-trust legislation.

   "This line of reasoning ignores the following basic points: A union has no power other than the willingness of its members to endure the hardships and sacrifices of strikes for objectives the members think are just and worthwhile. If they disagree with the purposes of a strike, they will not strike; or if they do strike, they will not hold out on strike for long."

2. Source of statement 1: "Statement Prepared by the Research Department of the International Brotherhood of Teamsters."

3. "The problem of monopoly which Congress sought to dispose of by enacting the Sherman Act 70 years ago has reappeared in an even more powerful and threatening form than that which existed during the last half of the 19th century. Then it was the monopoly of the large corporations and the industrial trusts. Now it is labor monopoly. ...

   "...labor monopoly practices are pricing the products of American industry off the markets, and shackling our economic progress. The 5-million-man pool of unemployment in the United States could disappear overnight if the restrictive practices of labor unions were lifted, and American industry free to compete on a realistic basis with foreign producers. If we are seeking a solution to the problem of unemployment, here is the clear and present answer.

4. Source of statement 3: Remarks made on the floor of the U.S. House of Representatives on August 8, 1961, in explanation of his bill (H.R. 8407) to limit and prevent certain practices by labor organizations by Hon. Bruce Alger, U.S. Representative, Texas, Republican.

5. "...The antitrust laws...are the foundation and the bulwark of the free-enterprise system. Those in charge of enforcing the antitrust laws understand this thoroughly and apply the laws to achieve this purpose. The present administration of antitrust is...thoroughly pro-business. ..."

6. Source of statement 5: "Antitrust is Pro-Business," by Lee Loevinger, Assistant Attorney General in charge of the Antitrust Division during the Kennedy administration.

7. "Obviously, the ultimate aim of anti-labor groups is a return to the barbaric period before any humanitarian labor law developed. The present concerted movement to subject unions to the anti-trust or anti-monopoly, laws would have this effect."

8. Source of statement 7: From a booklet "Collective Bargaining or Monopoly," published by the United Steelworkers of America, AFL-CIO, 1960.

9. "The ultimate objective of those who cry out against 'labor monopoly' is to put our unions under the Federal anti-trust laws.

   "Should this objective ever be accomplished, organized labor will be weakened to a point of almost complete ineffectiveness. National and international unions will be prohibited from bargaining for their members at the plant level and all traces of company-wide negotiating will be eliminated. All this will be done under the guise of monopoly busting."

10. Source of statement 9: Arthur J. Goldberg, Supreme Court Justice. From an article, "Labor Unions and Anti-Trust," which appeared in the Industrial Union Department Digest. At the time of publication Justice Goldberg was the general counsel of the AFL-CIO.

11. "We are confronted with the kind of inflation that has been of gravest concern to economists -- cost-push inflation. This kind of inflation has its roots primarily in the monopoly power of unions to force wages up even though there is no shortage of labor."

12. "Much of the public is aroused about inflation, and rightly so. Total disposable income is going up in dollars, but it isn't buying any more goods. Old people, widows and others dependent on insurance, annuities and pensions are getting poorer. The little people, who don't know how to invest in real estate or equities, find their savings eroded. Teachers, preachers, public servants, and all those whose salaries fail to keep up with prices are losing ground in the struggle to maintain their standard of living."

13. "The power of the unions rest upon the monopoly control of labor supply and upon various special privileges and immunities, placing labor above or, if you prefer, outside the law. These special privileges accorded organized labor represent the swing of the pendulum to compensate for the weak position of the individual industrial wage earner vis-a-vis the corporate employer. But the pendulum has swung too far, permitting unions to develop enormous monopoly power and allowing them behavior that is illegal for ordinary citizens or corporations. Labor unions have moved into the position of dominant political power that so often arrogates to itself special privileges, especially in the early stages of its ascendancy."

14. Source of statements 11, 12, and 13. T. O. Yntema, Vice President, Ford Motor Company in an address before the American Life Underwriters Association on October 11, 1957.

15. "We know the background of the specially privileged position which Congress has given the labor unions. We know how they were given a special exemption from investigation and control as monopolies.

"At the time such special privileges were granted by Congress, labor unions were comparatively weak. Some Members of Congress felt that the unions were not strong enough to bargain collectively on a relatively equal footing unless they were given special legal privileges and immunities.

"Since that time unions have grown until they stand now across this nation like a colussus, and no power outside of Government can compare with them in magnitude."

16. We have reached the point where we see the special privileges granted to formerly weak unions used now by the giant unions who no longer need them; used now, not to equalize collective bargaining because that is long past, but now, I say, used to achieve the actual economic conquest of the nation--and more important still, the political conquest of the nation.

17. Source of statements 15 and 16: Hon. Barry Goldwater, at the time of the statement U.S. Senator from Arizona, from an address made before the Traffic Club, Pittsburgh, Pa., January 22, 1959.

18. "Right-to-work laws do not have an adverse effect on the economic progress of workers. According to figures released by the Bureau of Labor Statistics, U.S. Department of Labor, July 1958, the rate of increase in the number of persons employed from 1952-57 averaged 9.77 per cent in States having right-to-work laws. The comparable rate of increase for States permitting compulsory union contracts was only 5.72 per cent....

"Right-to-work laws do not increase labor-management strife. Studies conducted by the U.S. Department of Labor show that man-days lost due to strikes or work stoppages declined an average of 30.9 per cent in States having right-to-work laws during the period 1947-53. All other States showed an average drop of only 16.6 per cent."

19. "Religious leaders support right-to-work laws. A leading Catholic theologian, the Very Reverend Francis J. Connel, C.S.S.R., dean of the School of Sacred Theology at Catholic University, has stated his view that the currently controversial 'right-to-work' laws cannot be condemned out of hand as immoral or as violating Catholic principles."

20. Source of statements 18 and 19: U.S. Chamber of Commerce. From a bulletin, "Right-To-Work -- A Brief Study."

Lesson Plan, Reading 45

Skill Objective:

1. Evaluating reliability of material

Procedure:

1. Spend period giving test.

ANSWER KEY FOR TEST FOR APPLYING CRITERIA FOR EVALUATING RELATIVE RELIABILITY OF INFORMATION

(To be inserted in Teacher's Manual)

1. G
2. A
3. E,F
4. C
5. E,D
6 A
7. B,D,E
8. A
9. B,E,G
10. A
11. B,E
12. B,D,F
13. B,E,F
14. A
15. B,E
16. B,E,G
17. A
18. F
19. C
20. A

Subject Objective: To recognize

1. That forming an opinion on a controversial social or economic problem involves choosing between conflicting underlying objectives.

Skill Objectives:

1. Judgment in terms of internal criteria (Bloom 6.20)

2. Judgment in terms of external criteria (Bloom 6.10)

Procedures:

1. The questions, "Do You Think Anti-Trust Laws Have Been Effective?" and "Why?", should be sufficient to get an animated discussion going. It is hoped that students will voluntarily indicate the bases for their evaluation of the information presented (reliability of sources, etc.). Permit students to discuss their reactions to the opposing points of view presented with a minimum of instructor guidance at this point. If, by chance, all students agree on a single point of view, the instructor should defend the opposing point of view as it is essential that both points get presented as acceptable.

2. When both points of view on the effectiveness of anti-trust laws have been expressed, the instructor should interject some such question as "What are we really arguing about?" How leading a question you will have to ask will depend, of course, upon the sophistication of the class you are teaching, but the point being made is that underlying the argument concerning anti-trust laws is the more basic argument concerning which of two widely accepted American values you choose to defend in this particular instance:

   a. The individual's freedom to pursue his own self-interest

   b. Society's responsibility to protect the weak.

   The students will probably have to grope before they see the depth of the underlying conflict. They are more likely to see, first, the controversy concerning the role of government in controlling business that underlies the anti-trust controversy. This insight can be converted into an understanding of the conflict between the two values noted above by asking such questions as, "When the Sherman Anti-Trust Act was passed in 1890, what was Congress mainly reacting against?" This should bring forth some such response as, "Monopolistic practices of big business," etc. Why did those legislators who supported this Act object to these practices? By continually pressing responses with the question "Why?", you should be able to help the student induce recognition of the fact that those supporting the Sherman Anti-Trust Act were proposing to use the government to protect the weak competitor against the strong and those who were against accepting the Sherman Anti-Trust Act were upholding the principle of individual freedom.

3. Leave time to pass out the handout used with lessons 41 and 42 and again ask the students to evaluate their own thinking on this subject. Be sure the date is indicated. Collect and save.

Subject Objective: To recognize

1. **That people's opinions reflect their stands on the conflicting values underlying the controversy.**

2. **That people's values change as times change and, consequently, opinions also change.**

Skill Objective:

1. **Analysis (Bloom 4.0)**

Procedures:

1. **Set the stage. It's 1894. You're a 9th grade student whose father works for the railroads and has to get up every morning at 4 A.M. to go to work. You've just picked up your morning paper and this is what the headline tells you is the most important event that happened yesterday. (Take the time to have the class read right now for the immediate impact excerpt IA of Reading 46, "Bayonets Subdue Strikers.") What do you think? Are labor unions too powerful?**

2. **It's now 1945. You've grown up and achieved great success in the business world. You now own that railroad for which your father once worked. You pick up your morning paper, turn to the financial page and the following article catches your eye: (Have the class read excerpt V). What do you think? Are labor unions too powerful?**

3. **It's now 1962. Unlike most railroads, your railroad has been a huge financial success and you've taken some of your profits and invested them in the Darlington Manufacturing Company. As you drink your morning coffee, you read the following: (Have the class read excerpt X). What do you think? Are unions too powerful?**

4. **Let's start all over again. It's 1894, you're a different 9th grade student. Your father is a Supreme Court justice and he frequently expresses strong feelings to the effect that in his opinion any attempt to form a union is a conspiracy against the American system of free enterprise and thus against the American people themselves. You have just read excerpt ID. What do you think? Are unions too strong?**

5. **It's 1947. You didn't do so well. You lost your father's fortune in 1929 and took a job on the assembly line at the Ford Motor Co. You just retired with a pension that, while not lavish, is adequate. You survived the tumultous days of conflict when the United Automobile Workers organized and now suspect that if the union had failed to organize you would have no pension to rely on now. You pick up your paper and read excerpt VI. What do you think? Are unions too strong?**

6. Throw the discussion open to the class with some such question as "What have you learned about opinions today?" They will undoubtedly come up with the recognition of the fact that opinions reflect values and the circumstances of those forming them. They will probably note that an individual's opinions change as his circumstances change. Some may even go into some depth in discussing the ways in which the times change, and the ways in which people's thinking reflects the climate of the times. Whatever develops at this point should depend upon the class itself. You've set the stage. Let them take it from here.

7. Again use the unit handout asking the student to form an opinion on a bill limiting the size of unions. Date, collect and save.

Subject Objective: To indicate

1. That when forming an opinion on a complex social or economic subject, one should keep in mind the fact that there may be alternative solutions to the problem being considered that might be preferable to the one currently being examined.

Skill Objectives:

1. Interpretation (Bloom 2.20)

2. Production of a unique communication (Bloom 5.10)

Procedures:

1. Have some students read their titles and introductions. Hopefully these will make the point that even if you think union power is too strong, you still might not think anti-trust laws the most effective way to curb this strength. In case nobody makes this point and the discussion appears to be directionless, an introduction to Reading 48 follows that you may introduce for class reaction as your own interpretation of why Reading 48 was included at this point.

Introduction to Reading 48

Throughout Unit X you have been exposed to a great deal of information concerning labor unions. You have learned much about their background, their problems, their strengths and their weaknesses. You have been exposed to the thinking of both those who think unions have grown too strong and those who don't. You have read the opinions of men who have interpreted events following the passing of anti-trust legislation as evidence of the effectiveness of such legislation as well as the opinions of those who interpreted some of these same events as evidence of weaknesses in the law. Today you are going to read an evaluation of labor's position written by A. H. Raskin, formerly the national labor correspondent for the New York Times and now a member of the Times' editorial board.

While Mr. Raskin does agree that labor's present position in relation to both management and the public must indeed be changed, he does not seem to think that invoking anti-trust laws would be the most effective way of accomplishing this change. As you read the following exerpt from A. H. Raskin's article, "Labor's Crisis of Public Confidence," note the ways in which he indicates labor's position in the community power structure might best be changed.

2. About 10 minutes before the period is over, ask everybody to write his name on a sheet of paper and have him write one sentence stating whether, at this point, he feels anti-trust laws should be invoked to curb union power. Collect these sheets and keep them until the written papers to be assigned are handed in. The purpose of these sheets is to attempt to determine whether exposure to additional information changes many opinions. We would appreciate your indicating the results of change on your unit evaluation sheet.

3. Pass back Unit handouts. Ask students to reread their own evaluations. Pass out clean handouts (dated) and ask for a final opinion, indicating in a short paragraph the basis of the opinion. Collect all handouts. Send these, along with your Teacher's Manual, to the Project Office, Carnegie Institute of Technology, Room 306 Margaret Morrison, when you have completed teaching the course.

4. Pass out Class Handout 48 and explain if necessary.

NOTE TO TEACHERS CONCERNING WRITTEN PAPER ASSIGNMENT EXPLAINED IN HANDOUT 48

(To be inserted in Teacher's Manual preceding Class Handout 48)

It may be necessary to change this assignment to adapt it to the library facilities available to your particular students. There are many ways this can be done.

I. If library facilities are extremely limited, you may wish to select a few representative sources for dittoing and make these available to your students.

II. If your students are limited to use of the school library, and the library has available a reasonable number of the sources suggested, you might want to indicate to the students those that are available in the school library.

III. If your students are limited to the use of the school library, where the library has none, or very few, of the sources suggested but does have elementary research facilities adequate for finding similar material on these subjects, you might want to omit giving the students the suggested reading list and instead give the assignment as a research assignment. Instruct the students to find whatever information they need to complete the formation of their opinions and to write a paper on the basis of what they have found.

However you choose to handle this assignment in keeping with the facilities available to you, keep in mind the purpose of the assignment:

1. To give each student an opportunity to complete independently the formation of his opinion on the subject: "Should Anti-Trust Laws Be Used to Curb Union Power?"

2. To give the instructor information for evaluating how successfully each student has formed an opinion that he can clearly present and logically defend.

It is suggested that the term paper assignments be handed out during what would normally be the fifth day or independent activity period. Students could be given an opportunity to raise any questions they might have about the assignment. You might want to have them discuss in their usual committees ways of handling the assignment. No independent activities will be planned for the next two weeks to allow the students this time for working on their term papers.

INSTRUCTIONS FOR WRITTEN PAPER ON SUBJECT:
"SHOULD ANTI-TRUST LAWS BE USED TO CURB UNION POWER?"

You have, as a class been introduced to a limited amount of information that has suggested that (1) some reputable authorities think that union power has grown too strong and should be curbed while others disagree; (2) some reliable sources interpret events of the past as indications of the effectiveness of anti-trust laws in curbing power while others see different factors as the more significant ones in shaping these events; (3) at least one dependable source believes that while union use of power needs to be controlled, using anti-trust laws is not the most desirable way to achieve this purpose.

You are now going to continue independently to form your own opinion on the subject. To assist you in your search for an opinion, a reading list dealing with these problems is attached. Your reading need not be limited by this list. It is not essential that you read any of the titles suggested on this list. It is, however, expected that each of you will read in those areas where you now feel you lack sufficient information to form a sound opinion on the subject: "Should Anti-Trust Laws Be Used to Curb Union Power?". REMEMBER: All information varies as to reliability. The fact that a title is included in the suggested reading list does not guarantee its reliability. Evaluate everything you read for relative reliability.

You will be given a period of two weeks to work on this along with your regular assignments. To allow you additional time, there will be no fifth period independent activity assignments during these two weeks. That time may be used to work on this assignment.

When you have formed your opinion, write a short paper stating your opinion and your reasons for holding it. Where you use authorities to defend your position, be sure to acknowledge the authority and the source of your information. At the end of your paper list everything you read before forming your opinion. This list should include the following information: author, title of book or article, publisher or magazine in which published, and date of publication.

This paper will not be graded on length. Emphasis will be placed on how convincingly and logically you support the opinion you form.

SUGGESTED READING LIST

Books

Jacobs, Paul. THE STATE OF THE UNIONS. New York: Atheneum Publishers, 1963.
Lens, Sidney. THE CRISIS OF AMERICAN LABOR. New York: Barnes, 1964.
Widick, B. J. LABOR TODAY. Boston: Houghton Mifflin, 1964.
Barkin, Solomon. THE DECLINE OF THE LABOR MOVEMENT AND WHAT CAN BE DONE ABOUT IT. Santa Barbara, California: Center for the Study of Democratic Institutions, 1961.

Sultan, Paul E. THE DISENCHANTED UNIONIST. New York: Harper, 1963.
Litwack, Leon. THE AMERICAN LABOR MOVEMENT. Englewood Cliffs: Prentice-Hall, 1962.

Magazine Articles

Views Concerning the Existence of a Crisis in the Labor Movement:

Barkin, Solomon and Albert A. Blum. "Is there a Crisis in the American Trade-Union Movement? -- The Trade Unionists' Views," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 16-24.
Bendiner, R. "What's Wrong in the House of Labor?", REPORTER, October 12, 1961, pp. 41-46.
Taft, Philip. "Is There a Crisis in the Labor Movement? No," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 10-15.
Townsend, Edward T. "Is There a Crisis in the American Trade-Union Movement? Yes," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 1-9.
"Troubled Days for U.S. Labor," SENIOR SCHOLASTIC, April 5, 1961, pp. 9-11.
"Why Unions Are Gloomy as Leaders See It," UNITED STATES NEWS AND WORLD REPORT, March 5, 1962, pp. 97-99.

Views Concerning Union Power:

"Bitter Medicine for Labor; Study of Union Powers," BUSINESS WEEK, April 4, 1964, p. 34.
Blumrosen, Alfred W. "The Individual and the Union," MONTHLY LABOR REVIEW, pp. 659-665.
Bruner, D. "Has Success Spoiled the Unions? HARVARD BUSINESS REVIEW, May 1960, pp. 73-78.
"Collective Bargaining and the American Economy," SATURDAY REVIEW, January 13, 1962, pp. 19+.
Cortner, R. C. "Liberals, Conservatives, and Labor," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1962, pp. 44-54.
Goldberg, A. J. "Role of Government," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, March 1962, pp. 110-116.
"Labor at the Crossroads," SENIOR SCHOLASTIC, February 27, 1963, pp. 4+.
Marshall, Ray. "Ethnic and Economic Minorities: Unions' Future," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 63-73.
Martin, H. H. "Big Labor's Big Worry: Government's Increasing Intervention," SATURDAY EVENING POST, December 15, 1962, pp. 66-69.
"Past the Peak; Power of Organized Labor on Wane," BARRON'S, May 9, 1960, p. 1.
Raskin, A. H. "Big Strike: A Thing of the Past?", SATURDAY REVIEW, November 16, 1963, pp. 20+.
__________. "Squeeze on the Unions," ATLANTIC, April 1961, pp. 55-60.
__________. "Unions and Their Wealth," ATLANTIC, April 1962, pp. 87-95.

Ross, Philip. "The Role of Government in Union Growth, ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 74-85.
Rothbaum, Melvin. "Economic Dilemmas of Collective Bargaining, ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 95-103.
Shister, Joseph. "The Outlook for Union Growth," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 55-62.
Smith, M. "Dangers to Our Freedom in Labor's Monopoly Power," MAGAZINE OF WALL STREET, September 24, 1960, pp. 8+.
Stern, James. "Automation--End or a New Day in Unionism?" ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 25-35.
Strauss, George. "Union Bargaining Strength: Goliath or Paper Tiger?", ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 86-94.
Swigert, J. M. "Where Labor Unions Get Their Power," UNITED STATES NEWS AND WORLD REPORT, January 21, 1963, pp. 96-99.
"Union Power: A Monopoly that Should Be Curbed? A Symposium," UNITED STATES NEWS AND WORLD REPORT, May 14, 1962, pp. 80+.
"Unions Talk Big, but Worry," BUSINESS WEEK, September 29, 1962, pp. 56+.

Views Concerning Effectiveness of Anti-Trust Laws

"Anti-Trust Action against Labor Unions," CONGRESSIONAL DIGEST, October 1961, pp. 225-233.
"Antitrust Laws for Unions, Too," BUSINESS WEEK, January 6, 1962, pp. 90-91.
Gomberg, W. "Unions and the Anti-trust Laws," NATION, November 11, 1961, pp. 375-377.
Greenspan, Alan. "Bad History Spawned Anti-Trust," BARRON'S, February 5, 1962, pp. 8+.
Petro, Sylvester. "The Growing Threat of Antitrust," FORTUNE, November 1962, pp. 128+.
Loevinger, Lee. "Antitrust is Pro-Business, FORTUNE, August 1962, pp. 96+.
"The New Competition," FORTUNE, June 1962, pp. 98+.

Alternate Suggestions for Handling the Labor Union Crisis

Barkin, S. "New Agenda for Labor," FORTUNE, November 1960, pp. 249+.
________. "The Road to the Future: A Trade-Union Commission for Self-Analysis," ANNALS OF THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE, November 1963, pp. 138-147.
Goldberg, A. J. "Changes Coming in Labor Policies," UNITED STATES NEWS AND WORLD REPORT, February 27, 1961, pp. 60-65.
"Labor Experts Urge New Policies," NATION'S BUSINESS, April 1963, pp. 66+.
"Unions Veer toward Protectionism," BUSINESS WEEK, November 9, 1963, pp. 124+.
Ways, M. "Labor Unions Are Worth the Price," FORTUNE, May 1963, pp. 108+, Discussion, June 1963, p. 20.

Subject Objective: to know

1. that, conditioned to our way of looking at man, it is difficult to conceive of ways of motivating him that do not involve differential monetary rewards for different jobs.

Skill Objective:

1. preparation and use of notes for brief oral reports
2. breaking away from customary frame of reference.

Procedures:

1. The teacher might begin by asking how the few reports which will be presented in class should be evaluated: what makes for a good report? List some of the key criteria on the blackboard. Stress the importance of completeness, in the sense of the report's giving answers to the audience's most likely questions. That is, the report must anticipate the most serious problems involved in executing the proposal whatever it is and must offer at least partial answers to those problems. If it is a good report, the fellow planners who hear it will have a rather clear idea of how to proceed to carry out the recommendations.

2. Four or five students may then offer their reports, with a few minutes following each one to use the blackboard's checklist for evaluation.

3. The most interesting proposals from students may be those that:
   - use incentives other than material rewards to achieve labor movement into the less attractive or the more responsible jobs
     - e.g. some socialist theorists have suggested that incomes should be equalized but that hours should be varied; the more attractive a job is to prospective workers, the longer the hours on it, and vice versa. Thus a garbage collector or a brain surgeon might work only four hours a day while a store clerk or a judge might work eight hours.
   - require a change in "human nature," i.e., a replacement of self-interest in the material sense with an equally strong motive to please others and to do what is "best" for society
     - this is the ultimate hope on which so many Utopias have been built. It requires asking the question whether the acquisitiveness on which our economy is built is merely a product of the environment in which we were raised or is innate in human beings. Students who use the example of the South Sea Islanders or of certain religious colonies who are alleged to be so content in an egalitarian, non-acquisitive society might be asked if there are any examples of societies stressing progress that have avoided individual incentives.

4. The rest of the class should be spent on (i) letting a few students who had no chance to present their reports but who feel they have particularly good suggestions describe their idea briefly and (ii) summarizing the ideas to show that most of the ideas offered either use variations on the material rewards theme (e.g., shorter hours), or involve fundamental changes in the way we expect human beings to act.

Subject Objectives: to know

1. **that in the real world the model for distribution in a communist-oriented command economy deviates from the pure theoretical model just as it does in the market-oriented economy.**

2. **that the need to develop personal motivating factors for workers in a command economy has been a major problem in the Soviet Union.**

Skill Objective:

1. **Interpretation (Bloom 2.20)**

Procedures:

1. **It might be advisable to spend a few minutes explaining any glossary terms not clearly understood.**

2. **Have students take out notes they jotted down in their search for evidence to answer the two thought questions given with last night's reading. You might ask them to use this evidence to write a single short paragraph answering either of the thought questions. Some of these paragraphs could then be read to stimulate discussion.**

3. **You might prefer having students use their notes for general class discussion, or as a base for experimenting with one of the "discussant" techniques outlined in Lesson Plan 16.**

4. **If time permits, go back to the discussion of the previous class period and ask if the picture which Campbell draws is simply a way station along the road to the egalitarian society envisioned by Marx. Or is it instead a further bit of evidence that there cannot be any such society in the real world?**

Subject Objective: to evaluate

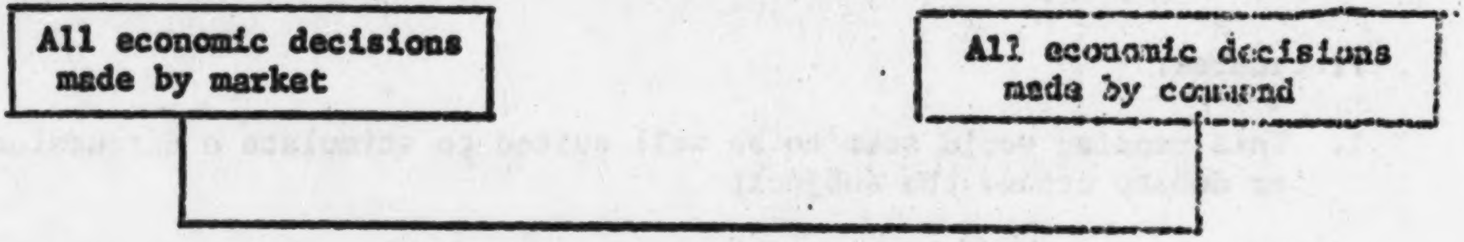
1. whether recent developments in the Soviet Union represent strict adherence to the policies of a command economy.

Skill Objective:

1. Interpretation: Bloom 2.20

Procedures:

1. Put on the board or overhead a spectrum moving from an economy in which all decisions are made by the market to an economy where all decisions are made by command, i.e.


All economic decisions made by market
All economic decisions made by command

2. Have student position USSR on this spectrum as of 1950.
3. Read each of the instances described in Reading 51 aloud.
4. After each instance is read have student position USSR on spectrum following the instance read.
5. After all instances are read, discuss whether Soviet economy has been moving significantly away from making economic decisions by command.

(Hopefully the discussion will bring out not only the fact that the Soviet Union has made many economic decisions tending to relax rigid planning requirements, but the fact that the information available to us here is very limited and to evaluate truly the direction in which the Soviet economy is moving we would need much more reliable information than we now have.)

Subject Objective: to recognize

1. that like the United States, the USSR is faced by a number of very complex economic problems
2. that in seeking solutions to these problems they too find themselves faced with choosing between objectives, both of which are desirable.

Skill Objective:

1. Analysis, Bloom 4.0

Procedures:

1. This reading would seem to be well suited to stimulate a discussion or debate around the subject:

   "Should the USSR attempt to solve its economic problems by wider acceptance of the Liberman plan or by computerizing its planning."

   You might choose to handle this as a planned debate followed by class discussion or by using any one of the techniques discussed in Lesson Plan 16 for undirected or loosely directed class discussion.

Lesson Plan, Reading 53

Subject Objective: To learn

1. That gross national product is a measure of the market value of our economy's total annual production.

2. That gross national product is an important measure of an economy's performance but should be used with caution.

Skill Objectives:

1. Knowledge of terminology (Bloom 1.11)

2. Application (Bloom 3.00)

Procedures:

1. Discussion of the questions following the tables in the reading provides an easy starting point for the day's lesson.

   Table I. Question 1. We can only conclude that with the exception of 1939, each decade has seen more spent for total annual production in the United States. It does not tell us, however, whether GNP has actually been increasing during this period as Table I tells us nothing about the comparable value of the dollars by which production was measured for each of the years reported.

   Table II. Question 1. On the other hand, Table II indicates that gross national product measured in constant dollars has indeed been increasing over the years, even between 1929 and 1939 where current dollar value shows a decrease.

   Table II. Question 2. Comparison of Tables I and II can be used to show what was happening to the purchasing power of money over the decades. The decrease in the value of goods produced from 1929 to 1939 compared with the increase when figured in terms of constant 1962 dollars, for example, indicates that prices fell between 1929 and 1939.

   Table III. Question 1. Per capita GNP can now be computed.

Questions 2-5 following Table III are an exercise to demonstrate that real economic growth should be measured in terms of per capita GNP. The formulas for making the computations asked for are as follows:

2. $\frac{217.8}{100\%} = \frac{227.3}{x}$, $x = 104.3\%$ or between 1929 and 1939 GNP increased approximately 4.3%.

3. Per capita GNP for 1929 $= \frac{\$217,800,000,000}{121,770,000} = \$1,788$

4. Per capita GNP for 1939 $= \frac{\$220,700,000,000}{131,028,000} = \$1,736$

5. It is obvious already that while GNP grew about 4% from 1929 to 1939, per capita GNP declined during that same period by about 2%.

$$\frac{\$1,788}{100\%} = \frac{\$1,736}{x}, \quad x = 98\%$$

(You might want to take a few minutes at this point to discuss the dilemma of India whose rapidly increasing population makes it extremely difficult to raise the country above a starvation level despite continual growth in gross national product.)

6. If students brought in newspaper items referring to GNP, you can use these for the basis of discussion for the rest of the period to bring out ways in which GNP is frequently used to measure economic growth. You might wish to fortify yourself with a few pre-selected articles you have brought in yourself to make this point.

7. A useful closing exercise might be to show how men trying to prove one thing or another about the 1930's could pick or choose among the available GNP statistics to make a point. For example:

   A Democrat who sought to defend the New Deal could show the rise in GNP in real terms for the decade.

   A Republican who sought to attack the New Deal could show either (i) the fall in GNP in current dollars or (ii) the fall in real GNP per capita.

Subject Objective: To know that

1. Gross National Product is produced for three sectors of the economy: consumers, investors, and government, i.e.. GNP = C + I + G.

2. The pattern of spending of each of these sectors affects the pattern of spending of the others. Investment spending is the most volatile.

3. The United States government cannot help but affect the general level of economic activity.

Skill Objective:

1. Knowledge of generalizations (Bloom 1.31).

Procedures:

1. You might just start by putting on the board the equation GNP = C + I + G and asking the students to explain this equation. The explanation can be expanded beyond the definition of terms to bring out the interrelationship of the components of spending. Spend as much time as is necessary to clarify the concepts of:

   A. consumption

   B. investment

   C. government spending

   D. impact of spending in one area on spending in another

2. Spend the rest of the period discussing newspaper clippings brought in by students to illustrate the impact of all government decisions on the GNP. Again, it might be wise to bring in some clippings of your own that make this point.

Subject Objectives: To learn

1. The importance of economic growth in approaching solutions to many of the most serious social problems in the United States.

2. To stimulate the student to consider ways of increasing economic growth.

Skill Objective:

1. Application (Bloom 3.0)

Procedures:

1. You might start the class by discussing student suggestions for increasing economic growth.

2. This lesson should lend itself to either general class discussion or any one of the discussant techniques discussed in Lesson Plan 16. Subjects around which discussion might be profitably centered could include:

   A. Can the unemployment problem be solved through a program of increased government spending?

   B. Can labor unions afford to support the civil rights movement in the absence of more rapid economic growth?

   C. Can the school dropout problem be solved without increasing economic growth?

   D. Why is early retirement considered a defeatist solution to the problems of automation? What non-defeatist solutions can you suggest?

   E. Is the unemployed worker of any real concern to the employed? (Tie this back to the GNP = C + I + G model to show how the unemployed worker is a drag on the economy.)

   F. What do you consider the United States' best hope for increasing economic growth?

Subject Objectives: To know

1. That increasing money supply, increasing government spending and decreasing taxes all tend to increase our economy's growth.

2. That decreasing money supply, decreasing government spending and increasing taxes all tend to decrease our economy's growth.

3. Difficulty involved in recognizing where we are in the business cycle at any given time.

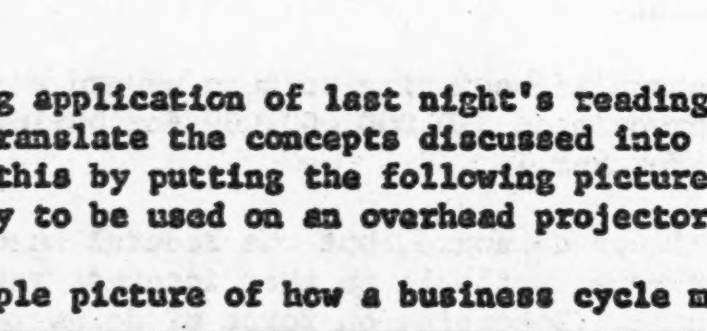
Skill Objective:

1. Application (Bloom 3.0)

Procedure:

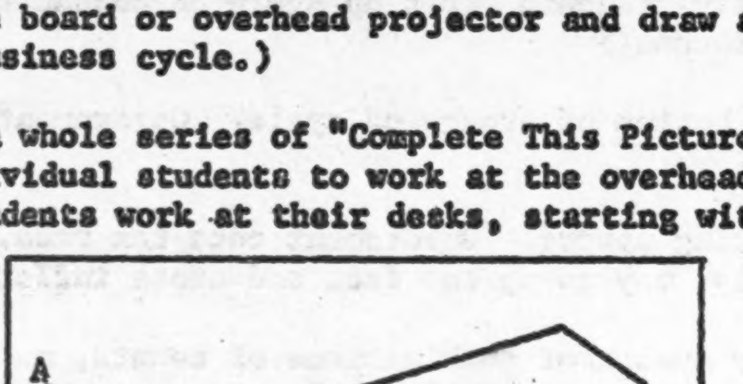
1. An interesting application of last night's reading might be to get the students to translate the concepts discussed into simple graphic form. You could do this by putting the following picture on the board or on a transparency to be used on an overhead projector.

   This is a simple picture of how a business cycle might look.



   If economists were to succeed in their search for stability, and they found ways of lessening fluctuations in the economy, how might a curve of the business cycle look? (You might want to ask a student to come to the board or overhead projector and draw a picture of a less fluctuating business cycle.)

   You could do a whole series of "Complete This Picture" exercises either by asking individual students to work at the overhead or board or by having all students work at their desks, starting with picture such as:



   Questions might include:

   Complete this picture assuming that at the point of the business cycle at which the picture stops:

   A. The Federal Reserve increases the amount of money in circulation.

It should become immediately apparent that what will happen is very much affected by the size of the increase and whether point B represents a turning point in the business cycle or whether it is simply a point on a continuing downward trend. If the business cycle were turning upward anyway, a small increase in money supply might give a further upward push to the economy. If, however, the trend was down, what would happen would depend upon the amount of added money put into circulation and businessmen's willingness to use the money even at the lower interest rates. Here there should be some discussion of the difficulties economists face in interpreting where an economy is at any given moment and the need to base economic decisions affecting the future on an estimate of where we are at the moment. You might point out that while economists agree on the effects of using certain tools they frequently disagree on where an economy is at a given moment.

B. The cycle as shown is beginning to turn upward and the Federal government appropriates $10,000,000,000 for building new schools. (Should go up further.)

C. The cycle continues downward, but the Federal Reserve System makes money somewhat more available so that interest rates on loans drop by 1/4 of a per cent. (Depending on force of downward trend, might stabilize, turn upward, or continue down at slower rate.)

D. The cycle starts to turn upward, the Federal Reserve System makes money sufficiently available for interest rates to drop 1/4% and the Federal government simultaneously cuts back on spending by $5,000,000,000. (Depends on relative force of conflicting policies. Might continue up, but slowed down. Might turn back down because of sharp cutback in G.)

E. Trend continuing downward. Government cuts individual income tax rate substantially. (Should start up again as consumers spend this extra after-tax income.)

F. Economy at bottom of trough of cycle. Government cuts tax rate. (Should start up.)

G. Trend starting upward. Government cuts tax rate. (Should start up even more steeply; may go up too fast and cause inflation.)

You can add any number of combinations of events, making the point that while we do have better information for measuring an economy than we had a few years ago, we are a long way from having any information reliable enough to predict the economic future. We do know enough however to know that when an economy is slowing down certain government policies, if adopted, tend to pick it up (increasing the money supply, increasing government spending, cutting taxes) while tightening the money supply, cutting government spending, and increasing taxes tend to act as a brake on the upward side of the cycle.

2. It might be worthwhile spending the end of the period discussing common misconceptions concerning the national debt. Some student might during the previous discussion bring up the point that while an economy can be stimulated by government spending, etc., what about the cost to the taxpayer of doing this? If the question is brought up earlier, this point should be handled at that time. The main points to be made are:

   A. U. S. government debt is not comparable to individual debts because:

      1. Government has power to tax to raise money to pay off debt.

      2. Since major part of debt is held by Americans, taxing to pay interest on debt only redistributes income, does not drain economy of that amount of wealth.

   B. While national debt has been increasing over the years, if seen as a percentage of GNP, in recent years it has actually been decreasing. For example, at the end of World War II our national debt was larger than a year's gross national product. Today the debt is only about 50% of GNP, that is, the debt is within the limits of our productive capacity. This is not to say that the size of our national debt is completely unimportant, but you should bring out the fact that the size of our debt is certainly manageable and should not blind us to the positive use to which government spending and taxing powers can be used.